



America's first name for Ham.

ANNUAL REPORT GEO. A. HORMEL & COMPANY/AUSTIN, MN 55912/FISCAL YEAR ENDED OCT. 25, 1980

Financial Highlights

	1980	1979*
Net Sales.....	\$1,321,966,000	\$1,414,016,000
Net Earnings.....	\$ 32,758,000	\$ 29,970,000
Per Share of Common Stock.....	\$ 3.41	\$ 3.12
Per Cent of Sales.....	2.48%	2.12%
Dividends to Stockholders.....	\$ 8,069,000	\$ 7,109,000
Per Share of Common Stock.....	\$.84	\$.74
Capital Expenditures.....	\$ 55,669,000	\$ 27,441,000
Depreciation.....	\$ 13,452,000	\$ 12,102,000
Working Capital.....	\$ 69,843,000	\$ 84,646,000
Stockholders' Investment.....	\$ 208,297,000	\$ 183,608,000

*To conform to the requirements of Financial Accounting Standards Board Statement No. 43, amounts for 1979 have been restated for recognition of liability for compensated absences on a current basis, and earnings per share reduced \$.07.

Earnings and dividends per share have been retroactively adjusted to reflect the January 30, 1980, two-for-one stock split

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Management's Letter

In this space one year ago, it was indicated that absent the imposition of mandatory price/wage controls and barring restrictions on the use of sodium nitrite, 1980 should prove to be another excellent year for Geo. A. Hormel & Company.

Neither event occurred and 1980 was, in fact, another excellent year.

A peer review of the so-called Newberne investigation into the safety of sodium nitrite in processed meats disclosed that the study was so seriously flawed that its use was not warranted as a basis for administrative restrictions by the Food and Drug Administration (FDA) and the United States Department of Agriculture (USDA). The matter of the safety of sodium nitrite has since been placed in the hands of the National Academy of Sciences for a complete review of all evidence bearing upon the question. The Company is confident that such a review will result in the vindication of the appropriate and continuing use of this essential compound in the food processing industry.

Although dollar sales and sales tonnage were somewhat less than the preceding year, fiscal 1980 earnings established yet another new record.

Capital expenditures during the year exceeded the highest historical level by a wide margin with most of the increase attributable to work on the major Austin (Minn.) replacement plant. Unusually favorable weather has made it possible for construction to proceed completely on schedule. It is anticipated that the 1,000,000 square foot plant will be opened in late summer of 1982.

Considerable work also progressed on projects involving the expansion of Company facilities at the Ottumwa and Knoxville, Iowa, plants, respectively.

Improvements such as these will be productive over a rather long period of time, hence, they should be financed by long-term debt. In preparation for a planned debt offering, rating agencies were visited during the year and the Company's excellent debt ratings were confirmed.

The new Davenport (Iowa) gelatin manufacturing plant became fully operational during fiscal 1980, the year ahead should show the first positive return on that investment. Gelatin manufacturing at the Austin plant has been discontinued.

Hog skinning operations at the Company's Fremont (Neb.) plant continued at full production levels for a good portion of the past fiscal year. Although a return was made to the more traditional method of hog processing, largely the result of a sharp decline in the price of hog hides, skinning operations have once again been resumed at Fremont. Plans have been developed whereby other Hormel hog slaughtering facilities will be equipped with this innovative skinning system, making it possible to switch from skinning to traditional processing operations, depending upon the economics of each method.



J. J. Holton and R. L. Knowlton

"Although dollar sales and sales tonnage were somewhat less than the preceding year, fiscal 1980 earnings established yet another new record. . . Capital expenditures during the year exceeded the highest historical level by a wide margin. . ."

"Operating and profit plans for fiscal 1981 have been prepared and confirmed. Enthusiasm and optimism . . . for Geo. A. Hormel & Company is readily apparent. . ."

Elsewhere in this 1980 Report are summaries describing on-going efforts to bring new products into the marketplace and, too, existing products in forms and packages designed to meet what is perceived to be changing needs and wants of today's homemakers.

During the past year, senior management embarked upon what is viewed to be a continuing program designed to evaluate the Company's current position within the food industry, its growth plans for the future, and the building strategies required to achieve the objectives which have been established. This has proven to be a most stimulating and productive experience.

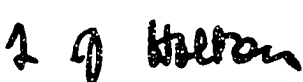
In addition to the many positive activities developed during the past year, attention is also called to Company efforts eliminating those operations which have proven to be either marginal or consistent losers.

During the past year, dividends on the Company's common stock were increased for the 12th consecutive year. This annual review, regarded as increasingly important in view of the diminishing purchasing power of the dollar, will be continued.

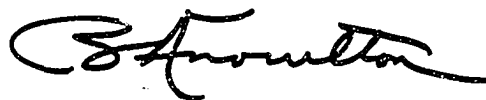
During the forepart of the year, hogs, particularly, were marketed at distressingly low prices, a fact which caused some producers to withdraw and others to cut back on hog production. The welcomed strengthening of hog prices as the year progressed made the retreat less than was at one time anticipated. It still appears that the overall supply of hogs coming to market during fiscal 1981 will be as much as 10 per cent less than last year's figures. Although this will yield what has historically been viewed as ample industry supplies, the end result will be considerably higher hog prices in the year ahead than prevailed during 1980. With about the same supply of fed cattle coming to market, and with consumer incomes increasing in 1981, the outlook is for substantially higher meat prices in the retail markets.

Operating and profit plans for fiscal 1981 have been prepared and confirmed. Enthusiasm and optimism for the industry and, particularly, for Geo. A. Hormel & Company is readily apparent. It is a fact, however, that equaling or exceeding the past year, while both planned and possible, is expected to be most difficult.

Hormel people at all levels have been committed, most supportive, and most helpful. It would be inappropriate to conclude without an acknowledgement of the Company's appreciation for such attitude and such special effort.



I. J. HOLTON
Chairman of the Board



R. L. KNOWLTON
President

Reviewing Fiscal 1980

Geo. A. Hormel & Company opened the decade of the 1980's by establishing one of the best all-around years in history. It was a year of significant accomplishments and progress forged by record performances in most of the Company's operating groups.

Net earnings and earnings per share edged to record levels. Capital additions during fiscal 1980 were the highest ever, totaling \$55,669,000, a 103 per cent increase over the previous year's record expenditures. Total assets amounted to \$355,853,000, up 10 per cent over 1979, and book value per share climbed to a new high.

Total dollar sales, after returns and allowances, were the second highest in history, exceeded only by the record high of the previous year.

Following a two-for-one stock split early in the fiscal year, the annual dividend was raised for the 12th consecutive year. This provided an increase of 13.5 per cent over the previous year. Stockholders' equity in the Company increased 13 per cent to \$208,297,000.

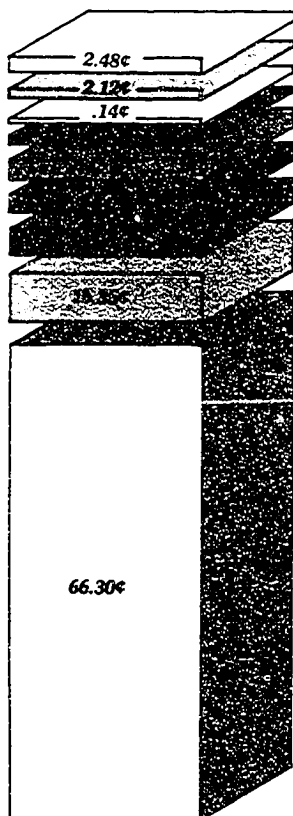
DISTRIBUTION OF SALES DOLLAR/1980

Cents per Sales Dollar

Net Earnings
All Taxes
Interest Costs
Depreciation
Employee Benefits
Transportation Costs
Manufacturing, Selling
and Other Expenses

Wages and Salaries

Cost of Livestock,
Supplies, etc



Dollar Sales Decline

Corporate sales for fiscal 1980 amounted to \$1,321,966,000, down 6.5 per cent from the prior year. The decline in total sales dollars from the record year established in fiscal 1979 was due largely to planned reductions in fresh meat volume where margins were often unsatisfactory. The closing of the Mitchell (S D.) hog slaughtering plant and operation of hog slaughtering facilities at the Austin (Minn.) plant at levels less than full capacity were major factors contributing to reduced 1980 dollar sales.

Prices are expected to rise in the year ahead in response to an anticipated 10 per cent reduction in the number of hogs available for slaughter.

Net Earnings at All-Time High

The Company's financial performance was capped by a record high in net earnings in 1980 of \$32,758,000. This is an increase of \$2,788,000, or 9.3 per cent, over fiscal 1979 earnings of \$29,970,000. Earnings per share were \$3.41, an increase of 29 cents per share over 1979 earnings of \$3.12.

As outlined in the *Management's Letter* and described in detail in the narrative, financial and statistical sections of this 1980 Report, the increased profitability developed this past year reflected improvements attained in nearly all segments of the Company's business. To a large extent, these achievements resulted from the elimination of operations which failed to yield acceptable returns on investment and, similarly, to the expansion of production at the Company's newer, more cost efficient plants.

The Company's fresh meat products experienced severe margin pressures during the last three quarters of the year as prices for both live hogs and cattle moved upward. Hormel will continue to seek the expansion of value-added, more merchandisable, processed branded products upon which a successful market franchise can be developed.

Capital Expenditures

The largest capital investment program in the Company's history was carried forward in fiscal 1980 with expenditures for property, plant and equipment totaling \$55,669,000. A sizable portion of this capital spending can be attributed to the new Austin (Minn.) replacement plant; however, substantial sums were also expended to construct facilities in Fremont, Neb., and in Davenport, Ottumwa, and Knoxville, Iowa.

Over the past six years, Hormel has maintained an aggressive program fueled by capital expenditures exceeding \$150 million. This construction program will continue at an even greater level in 1981 with total capital investments expected to approach \$70 million.

Depreciation for the fiscal year was \$13,452,000, an increase of \$1,350,000 over the previous year.

COMMON STOCK DATA

1980

1979

Fiscal Quarter	Cash Dividends Declared	Market Price Range	Cash Dividends Declared	Market Price Range
First Quarter	\$.21	\$16½-18 15/32	\$.185	\$11 13/16-12¾
Second Quarter	.21	14⅞-18 19/32	.185	12¾-17½
Third Quarter	.21	13⅜-16¼	.185	14⅞-16 11/16
Fourth Quarter	.21	15⅜-20	.185	15 11/16-19½

Figures have been retroactively adjusted to reflect the January 30, 1980, two-for-one stock split

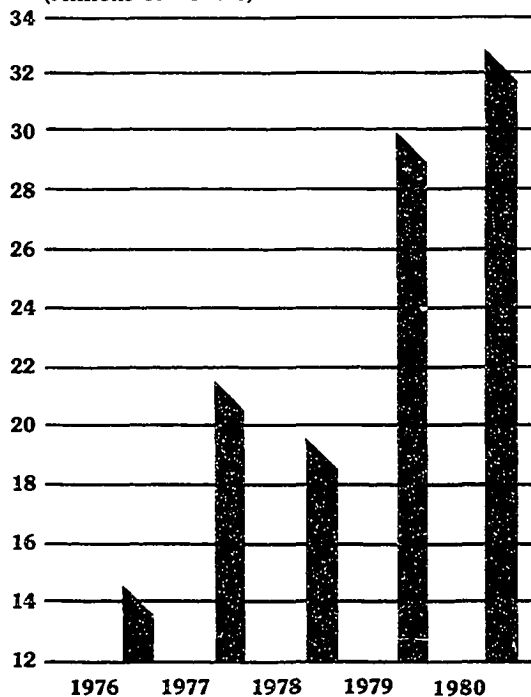
Cash Dividends

In view of the Company's strong performance, the Board of Directors raised the quarterly dividend in February, 1980, by 13.5 per cent. A cash dividend of 21 cents per share per quarter, or 84 cents per year, was established following the two-for-one split of the Company's common stock authorized by stockholders at the 1980 Annual Meeting.

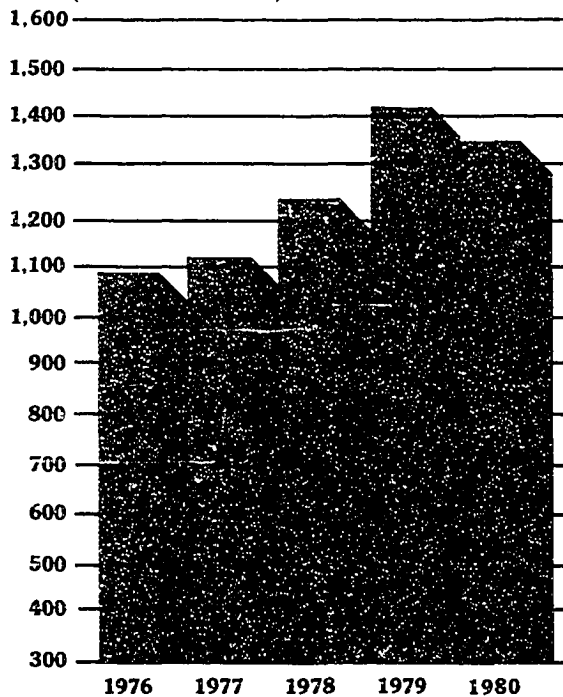
The new dividend rate, the 12th consecutive annual increase, extends to 52 years the Company's record of uninterrupted quarterly cash dividends.

Total cash dividends paid and accrued during fiscal 1980 amounted to \$8,069,000, compared with \$7,109,000 the prior year.

NET EARNINGS (Millions of Dollars)



NET SALES (Millions of Dollars)



Pension Trusts

The Company's provision for current and past services under the Employee Pension Trusts amounted to \$16,110,000 for the year. Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

Stockholders' investment at year-end totaled \$208,297,000, an increase of \$24,689,000, or 13 per cent, over the prior year. The book value of the 9,606,516 shares of common stock outstanding was \$21.68 per share.

Corporate Debt

A review of the Company's statement of financial position will reveal that long-term debt is only 12 per cent of total capital. That debt consists of \$25,000,000 in 10-year notes, with a nine per cent coupon due in 1985, and five small industrial revenue bond issues. Typically, the Company borrows short-term, using commercial paper, to accommodate seasonal demands. In 1980, only a minimal amount of short-term borrowing was necessary because substantial sums had been invested in marketable securities at the end of 1979.

In 1981, fixed asset investments, already projected to be the highest ever, are expected to exceed the Company's cash flow. While matching long-term debt is preferred, a question exists as to whether or not the market will provide borrowing opportunities at a reasonable rate of interest. The Company's strong statement of financial position provides the necessary flexibility in financing, whether for the short-, intermediate- or long-term.

Hormel Employees

The harmony of purpose and the dedication of skilled and talented employees made this year, in many ways, the best in the Company's 89-year history. The combined efforts of production, sales, clerical and management employees helped maximize the utilization of the Company's physical resources in 1980 which, in turn, contributed to the encouraging results attained during the year.

The Company reaffirms its policy and practice of equal opportunity for all employees regardless of race, sex, age, color, religion or national origin.

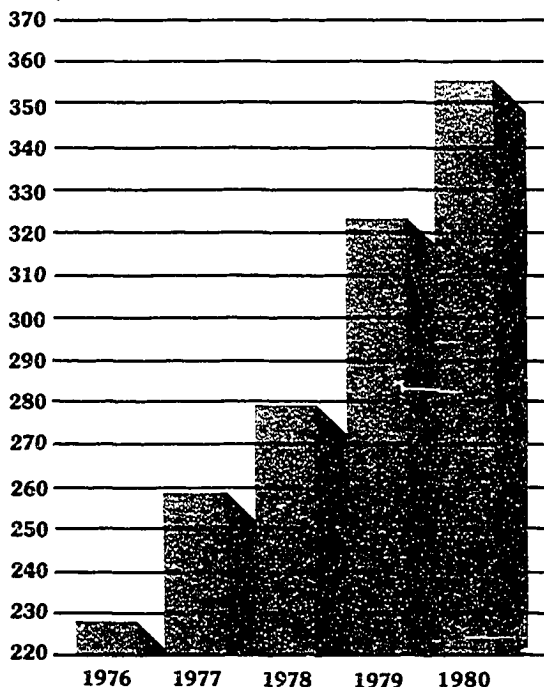
Livestock Projections

It is anticipated that hog supplies will decline in 1981. Early projections are that approximately 10 per cent fewer hogs will be marketed during the year.

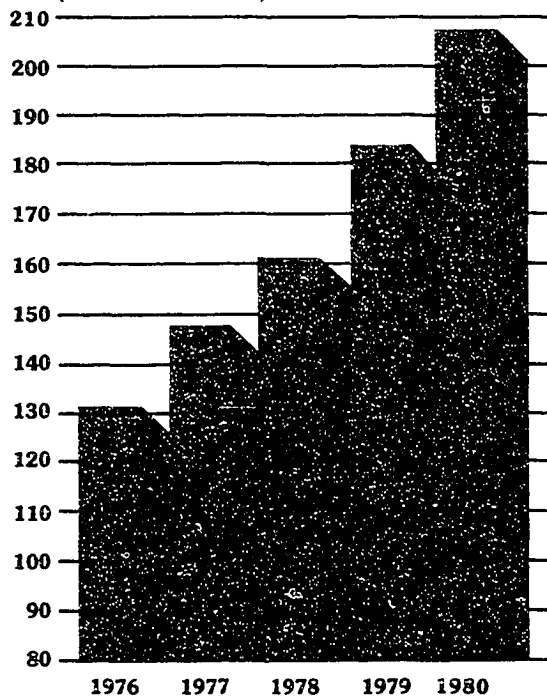
This sharp drop in marketing is expected to lead to strong competition for available hogs, resulting in a general hog market that is expected to be higher during the coming year. Currently, corn prices are relatively high. The increased demands for corn to export and for use in ethanol production are also placing additional pressures on hog production plans.

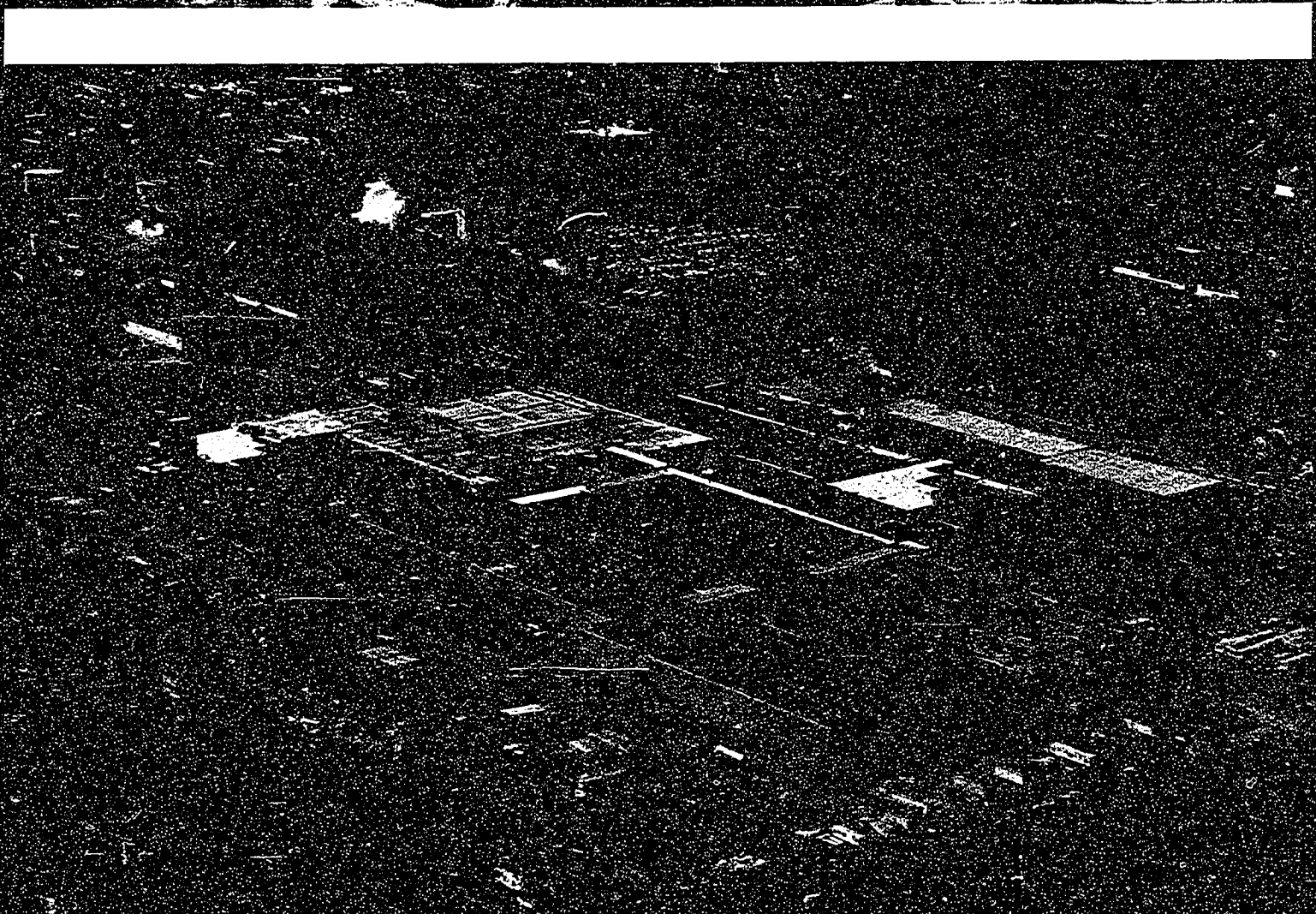
The cattle industry is on the growth side of a new cycle resulting in larger withholdings and reduced marketing. Cattle and beef prices during fiscal 1981 should be higher than 1980 figures and will possibly reach record highs.

TOTAL ASSETS
(Millions of Dollars)



STOCKHOLDERS' INVESTMENT
(Millions of Dollars)





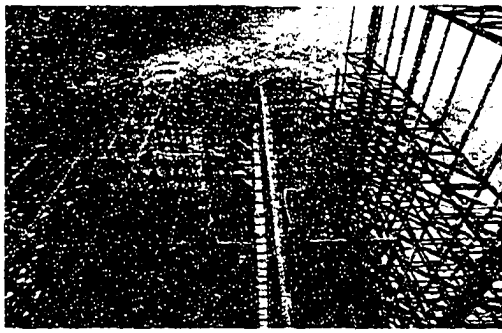


Photo Identification

Left Page Construction progress on the Austin (Minn.) plant is evident here. Top photo was taken in January, 1980, the bottom photo in late November.

Above Close-up scenes of construction work on the 1,000,000 square foot Austin plant

Operations Group

Product quality has provided Geo. A. Hormel & Company with a solid foundation for growth through the years. Of tremendous importance has been the role of the Operations Group in pursuing improvements in equipment, processes, products and packaging.

These efforts, in turn, have added authenticity to the well-documented consumer image Hormel has earned as a manufacturer of quality ham products. This widely-held belief led to the development of the "Hormel: America's First Name for Ham" concept, an all-encompassing merchandising program designed to create a close, identifying "family" awareness of Company branded ham products.

The long-standing tradition for quality has been painstakingly built over a period of many years and this emphasis, evident today in every facet of manufacturing, is an important function of the Operations Group. The Austin (Minn.) plant, now in its second year of construction, and the addition to the Ottumwa (Iowa) plant, scheduled for completion this summer, demonstrate the importance consistently attached to improved production technologies and the modernization and updating of Company facilities.

These capital investment programs, coupled with expansion into other food and non-food areas, are improving the current operating efficiencies of the Beef and Pork Divisions and the Refineries Division of the Operations Group. Another major benefit has been the development in 1980 of several product line extensions that complement existing production capabilities while providing the necessary foundation for growth and diversification in the years ahead.

Construction Work Continues

The largest single capital investment project in the Company's 89-year history, the 1,000,000 square foot Austin (Minn.) plant, enters its second full year of construction in 1981. This huge building, occupying a 33-acre site, has been completely enclosed, allowing construction to continue inside during the winter months.

Initial site preparation work, installation of security fencing and storm drainage facilities, and blacktopping of perimeter roadways and parking areas were elements of the Phase I building program completed in late 1979.

Phase II started in early 1980 with the pouring of footings and foundation walls. The structural system for the building "shell" has since been completed and the prestressed concrete walls and prefabricated roofing for the main floor addition placed into position. Installation has also been completed on the 70-foot, six-story SPAM luncheon meat hydrostatic cooking tower, the deodorizer unit required to prepare edible oils for blending and formulation into Hormel margarine and shortening products, and the Automatic Storage and Retrieval System (ASRS), consisting of a complex maze of racks designed specifically for smooth materials handling and efficient and proper stock rotation of both canned and processed meat products.

"The largest single capital investment project in the Company's 89-year history, the 1,000,000 square foot Austin (Minn.) plant, enters its second full year of construction in 1981. . ."

“ . . . In many cases, the Planning & Engineering Division has implemented new design innovations and contributed ideas for technological improvements. . . ”

Large heat processing ovens installed this past year in the northeast and northcentral portions of the building will be used in dry sausage and smoked meats manufacturing operations.

Although less noticeable to the casual observer, construction on the interior of the new Austin replacement plant will continue unabated during fiscal 1981. Work on the main floor structure will consist of final pouring of concrete floors and interior wall construction, arrangement of both refrigeration and steam heating units, and the placement of water lines. Installation of major processing equipment, scheduled to begin later in the year, will revolve around dressing floor and disassembly facilities for pork processing operations, advanced retort and water cooking systems for canned meats production, and blending, mixing and grinding stations for prepared sausage manufacturing.

The Austin plant will continue as the largest facility within the Hormel organization. It will also rank as one of the largest of its kind in the meat packing industry with facilities provided for the slaughtering and processing of 1,500,000 hogs and the production of over 200,000,000 pounds of fresh meats and manufactured meat products each year.

Many of the Company's principal products, specialty fresh pork items, smoked meats, fresh and prepared sausage, dry sausage and canned meats items, will be produced in Austin. Included are retail-branded consumer favorites, many of them leaders in their respective product categories, *SPAM* luncheon meat, *Cure 81* ham, *Curemaster* ham and *Wranglers* smoked franks, along with other familiar brand names, *Little Sizzlers* pork sausage, *Black Label* bacon, *Di Lusso*, *Gran Valore* and *San Remo* genoa salamis, and *Black Label*, *Holiday Glaze* and *EXL* hams.

The construction timetable, establishing mid-summer, 1982, as the completion date, is well on schedule, due largely to the skills and experience of the Company's Planning & Engineering Division which directly supervises not only construction but the installation of machinery and all operational equipment. In many cases, the Planning & Engineering Division has implemented new design innovations and contributed ideas for technological improvements which only enhance the Austin plant's stature as a true showpiece of modern meat processing techniques.

Ottumwa (Iowa) Plant Construction

In Ottumwa, Iowa, the Company's hog slaughtering and food processing plant is being enlarged by nearly 32 per cent. Construction continues on a 110,000 square foot addition which will increase the size of this major Company facility, opened just over four years ago, to more than 555,000 square feet.

Below Early construction scenes at the expanded Ottumwa (Iowa) hog slaughtering plant



"The Operations Group is also conducting a broadly-based program to increase the efficiency of plant operations. . . One exciting innovation continues to be the Company-designed hog skinning system. . ."

Right These Italian-style genoaas will be produced in new facilities at the Ottumwa (Iowa) plant



Production operations will commence this summer on several popular Italian-style dry sausage items, among them *Di Lusso*, *Gran Valore* and *San Remo* genoaas, and bone-in prosciutti hams. The new addition, designed with custom-built processing ovens and Company-engineered dry rooms, and equipped with the finest and most modern manufacturing equipment available to the industry, will have the capacity of producing any or all of the 45 dry sausage products now manufactured by Hormel.

Cure 81 hams will be the chief beneficiary of expanded smoked meats manufacturing facilities in the new Ottumwa addition. Installation of new processing ovens, the addition of larger coolers, and improved manufacturing and packaging areas, will allow for substantially-increased production of this major Company item, already well-recognized as the leading non-water added boneless ham in the marketplace.

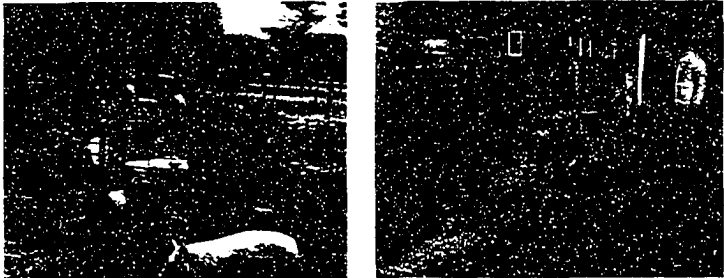
Hog Skinning Process

The Operations Group is also conducting a broadly-based program to increase the efficiency of plant operations. The main thrust revolves around the application of new technology, efficiency in handling raw materials and packaging supplies, and improved utilization of existing facilities.

One exciting innovation continues to be the Company-designed hog skinning system which has been in various stages of development for more than four years. Planning & Engineering Division specialists have worked jointly with Company operating divisions in developing specifications and procedures which may change markedly the current industry approach to hide removal.

This process was operated on a start-up basis at the Company's Fremont (Neb.) plant for most of last year. Testing continued into late 1980, at which time several improvements and related technological changes were made. Regular full-scale utilization of the new system at Fremont has since begun; meanwhile, similar installations are planned for the new Austin plant and at other Hormel hog slaughtering facilities.

When fully operative, the new process will provide improved yields in hog skins, which can be used in finished leather of all types, increased operating efficiencies, and reduced energy and space-saving requirements.



Ample pork supplies were available during fiscal year 1980

Pork and Beef Divisions

Ample pork and beef supplies available during fiscal 1980 led to lower costs and improved utilization of Company slaughtering/processing plants. Other key factors included the closing in 1979 of out-dated hog slaughtering facilities in Mitchell, S.D., the discontinuance of beef operations at the Austin and Fremont plants, and the shut-down this past year of the Miami (Okla.) beef slaughtering facility. These moves, coupled with the higher productivity attained at remaining Company plants, helped in reducing the losses normally experienced in fresh meat operations.

The long-term industry decline in beef slaughter continued into 1980; nevertheless, the beef supplies brought to market were sufficient for the Company to meet steadily increasing consumer demand for processed meats. Hormel is less affected by periodic swings in livestock supplies than many other companies in the industry because much of its market strength lies in branded, value-added food products rather than fresh meat production and sales.

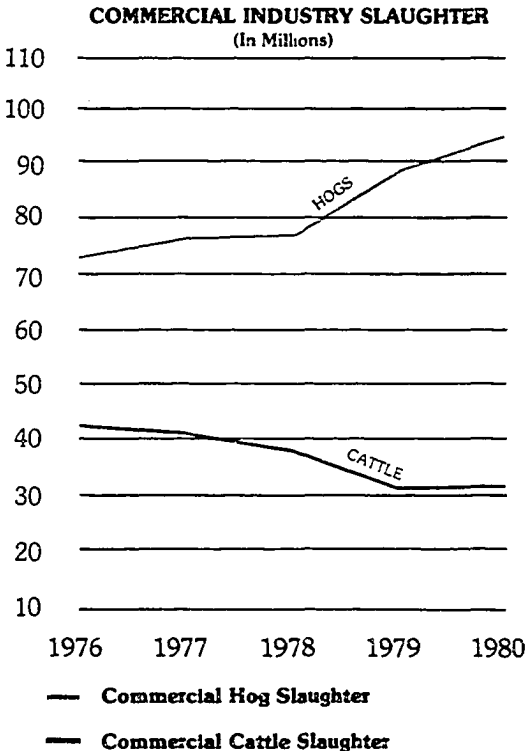
Refinery Operations

Emphasis on Hormel refinery operations this past year focused on expanding relationships with major industrial customers who need and demand specially-formulated customized oils and edible vegetable proteins. Although still two years away, refinery facilities planned for the new Austin plant will more than double the Company's present capacity, prompting current efforts to find new market opportunities for Hormel-produced edible oils.

In addition to seeking out new means of increasing its role as a well-known supplier of shortenings and oils to the bakery and food service industries, Hormel continues to be a major user of edible and vegetable oils as ingredients in many of its own products, including shortenings, margarines, salad and cooking oils.

“Refinery facilities planned for the new Austin plant will more than double the Company’s present capacity, prompting current efforts to find new market opportunities for Hormel-produced edible oils.”

“Ample pork and beef supplies available during fiscal 1980 led to lower costs and improved utilization of Company slaughtering/processing plants.”



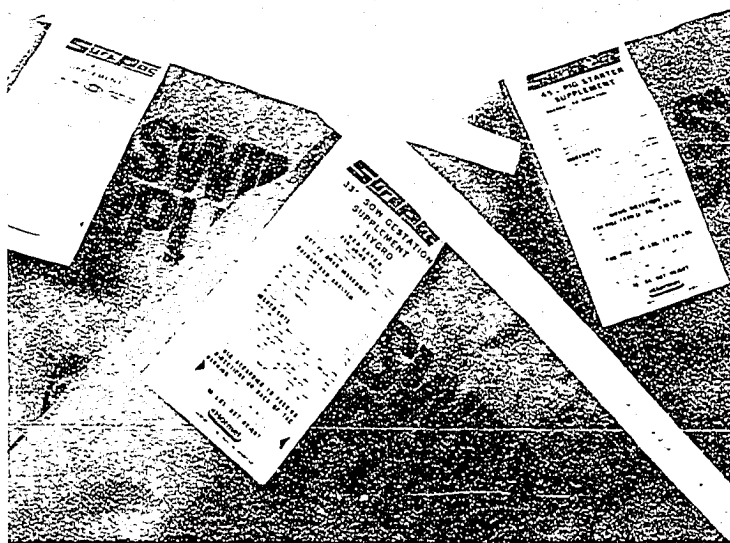


Company-produced margarine and shortening products

"In the past year, the Hormel Feed Division introduced a new line of hog supplements under the Surepac® trademark. . ."

Fiscal 1980 activities of the Refineries Division involved much more than the strengthening of its edible oils product line to both existing and new industrial accounts. The very important retail marketplace received major consideration last summer and early fall with the introduction of a new 42-oz. shortening product.

This newcomer, marketed under the *Hormel* brand name, is available in limited distribution in West Coast test markets. It is an animal/vegetable product clear white in color, offering excellent stability and a smooth creamy texture. *Hormel* all-purpose shortening, as the name implies, is designed to fit all needs — frying, baking and cooking — but is particularly recommended for fried foods and pastry items



A new line of hog supplements introduced by the Feed Division

Feed Division

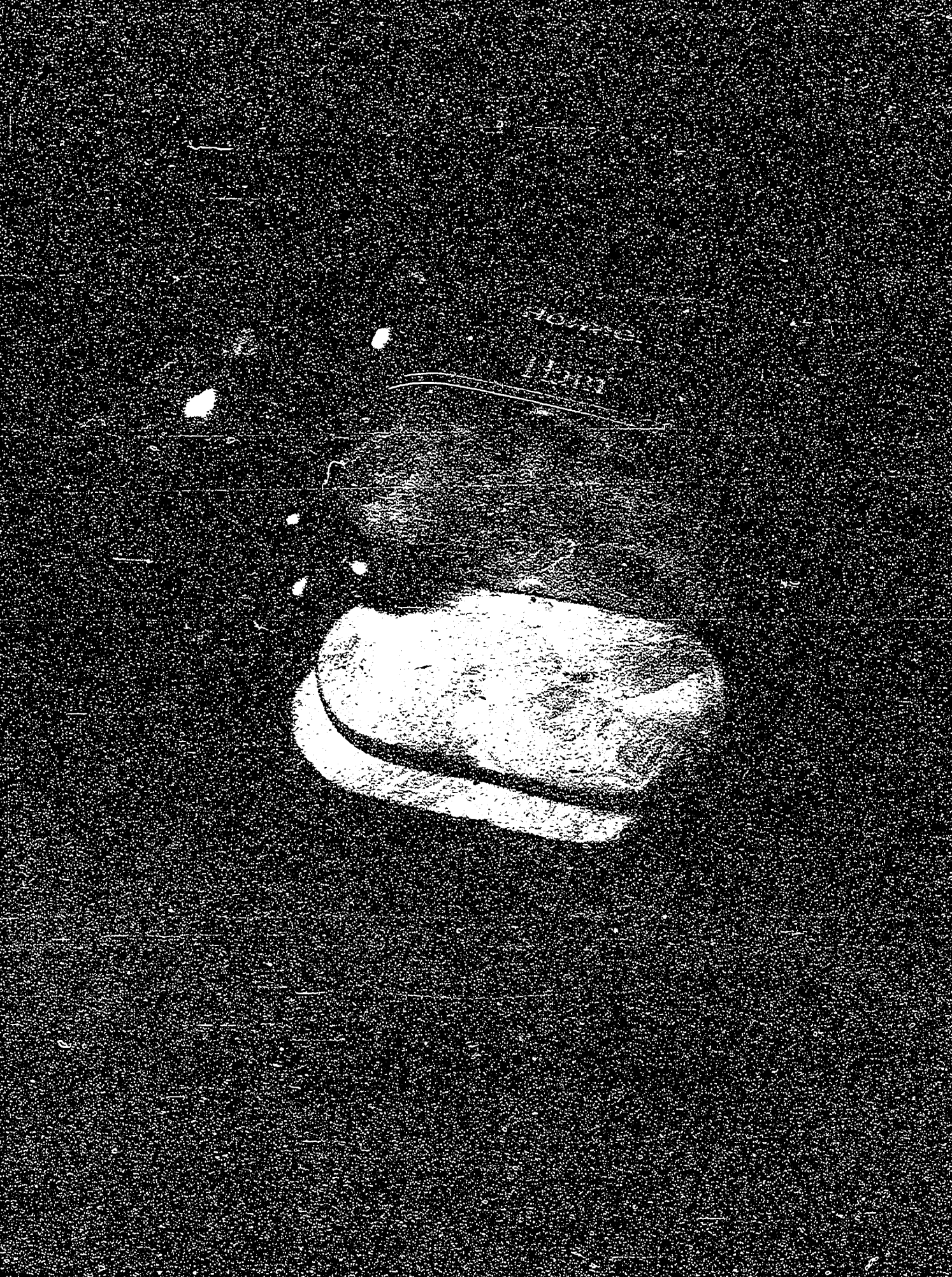
In the past year, the Hormel Feed Division introduced a new line of hog supplements under the *Surepac* trademark. Available in meal or pellet form and produced either bulk or in bags, *Surepac* feeds are specially-formulated to offer producers improved efficiency, higher quality and reduced cost benefits when used with their own home-raised forages and grains.

The *Surepac* series joins the previously-introduced *Enpac* and *Basepac* feed supplement lines which Hormel believes provides farmers with the total program necessary to improve their livestock production marketing techniques.

Environmental Systems Division

Manufacturing facilities for the Company's Environmental Systems Division have been closed in Coon Rapids, Minn., and relocated in Algona, Iowa.

Since the Environmental Pollution Control Division has not met the Company's minimum standard of profitability, it will be sold or liquidated.



Meat Products Group

The excellent operating results achieved during fiscal 1980, producing record high sales, tonnage and earnings levels, were based on substantial improvements developed by nearly all business segments comprising the Meat Products Group. Two elements — marketing skills and distribution strength — helped the Route Car Sales, Distribution Plant, Dry Sausage and Food Service Divisions of the Meat Products Group solidify a nationwide consumer franchise already viewed as one of the strongest in the industry.

As fiscal 1980 closed, the Meat Products Group was directing its efforts to the combined Company-wide merchandising program which features the largest promotion ever of Hormel retail-branded ham products. The highly-popular *Cure 81* ham, *Curemaster* ham, and the six "Ham it Up!" luncheon meat items added further credibility to the "Hormel: America's First Name for Ham" theme now appearing nationally in print, radio and television media. The contributions these products bring to this innovative marketing endeavor effectively emphasize the Company's widely-held reputation for quality ham products. They also illustrate clearly the solidity of the foundation on which the Meat Products Group intends to build for the future.

Strong Marketing Programs

Reflecting strong promotion and sales programs, the *Cure 81* ham continued as the best-selling brand in its category during the fiscal year just ended.

An improvement in market share developed principally through a series of major advertising and merchandising campaigns which again featured actual testimonials from satisfied housewives, using the basic theme, "Dependability worth paying for!" Promotional activities were carefully planned for the full year as well as during holiday periods — Easter, Christmas, Labor Day, Fourth of July, Thanksgiving and Memorial Day — when family ham consumption is usually at its highest.

The "dependability" theme stressed the product's leanness, tenderness and flavor qualities — three attributes contributing to a National Family Opinion survey which rated the *Cure 81* ham as consistently superior in quality among frequent purchasers of boneless hams. This message appeared in specially-tailored newspaper and spot TV, national print and network TV, trade advertising and restaurant/food service mediums.

The *Curemaster* ham, introduced 10 years ago to meet both the budget and menu-planning concerns of the growing small family market, finished the past year at its best level ever. With product demand on the upswing and market share strong, total sales volume advanced to new record highs, contributing greatly to the overall accomplishments generated in fiscal 1980 by the Meat Products Group.

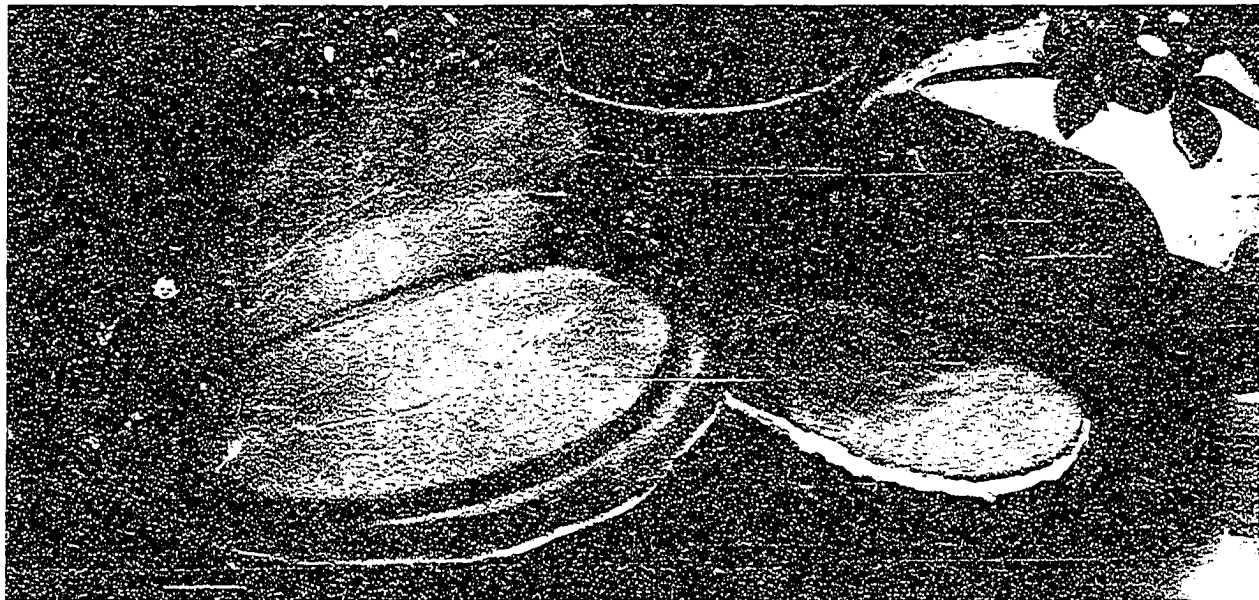


Photo Identification

Left Page The *Curemaster*® ham finished the past year at its best level ever

Above The *Cure 81*® brand name is synonymous with ham

“...The *Cure 81*® ham continued as the best-selling brand in its category during the fiscal year just ended.”



Old-fashioned style smoked hams dressed in their holiday best.

Consumer studies indicate that the strengths of the Curemaster ham continue to be its relatively attractive unit price, small size (2-lb. average), consistent high-quality and wide meal versatility. It is these features that appeal directly to today's smaller families, comprised largely of singles, retirees, young marrieds, childless couples or families of four or less. The steady year-to-year growth of the Curemaster brand is a direct result of the Company's ability to understand and respond to the continuing needs of the marketplace and the related shifts seen in basic family eating patterns.

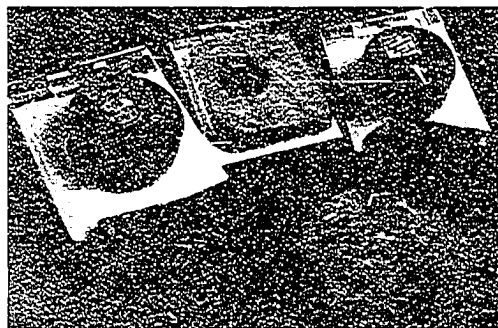
"The new life enjoyed by the entire Perma Fresh family this past year encouraged Hormel to place three new items into distribution. . ."

Luncheon Meat Campaign

A third important contributor to the "America's First Name for Ham" promotion has been the continued combined growth of products marketed under the innovative "Ham it Up!" campaign. Attention was focused on Smoked Cooked Ham, Ham and Cheese, Black Peppered Ham, Red Peppered Ham, Cooked Ham and Chopped Ham.

The new life enjoyed by the entire Perma Fresh family this past year encouraged Hormel to place three new items into distribution — Iowa Loaf, Hard Salami and Pepperoni. This brought to 23 the number of products and the variety of sizes (4-, 6-, and 8-oz.) now offered nationally through the Perma Fresh luncheon meat line.

Other product varieties are being considered as possible additions to the Perma Fresh line in 1981.



Above: Presliced luncheon meats from Hormel.

Introduced in Test Markets

Three new items already scheduled for introduction offer proof of the intensity with which the Meat Products Group is pursuing entry into the small family and single-person household market. The new four-to-the-package Pony Pack *Wranglers* smoked franks and *Hormel* dinner franks, packed either four-to-the-half-pound or eight-to-the-pound, made their test market debut in early 1981. The Pony Pack and four-to-the-half-pound Dinner Franks provide smaller households with the convenience of just-right meal proportions and the important added assurances of high quality and good value. The eight-to-the-pound Dinner Franks are expected to be favorites of homemakers faced with the responsibility of feeding many family members.

The forerunner in the "bite-sized" big frank category, *Range Brand Wranglers* smoked franks, and a "companion" item, *Wranglers* smoked beef franks, are the product "originals" credited with returning adults to the frank market. These products opened a previously-untapped new market opportunity for the Company which ultimately led to the introduction of many imitations by competitors. Both items have successfully maintained their leadership positions.

New Precooked Products

The continued interest in convenience-oriented products is presenting the Company with still additional opportunities for future growth. Recognizing the existence of this vast market potential, Hormel has recently introduced to food service operators an entirely new line of precooked bacon and precooked pork sausage, available in both patties and link form.

Marketed under the *Fast 'n Easy* brand name, these products appeal to the food service trade, which continues to be the fastest-growing segment of the U.S. food industry.

The advantages are numerous. Fully-cooked by a special process perfected by Hormel, the products receive the same old-fashioned flavor and retain the extra leanness qualities already associated with the Company's well-known uncooked bacon and pork sausage line. The precooked products simply need reheating before serving (heats in one- to two-minutes), thus the significance of the *Fast 'n Easy* name. For large food service operations, this factor eliminates the very costly time and labor required for daily preparation. Still another important feature is reduced cooking mess and grease disposal problems and the resulting quick and easy kitchen clean-up.

The convenience being built into processed, packaged foods is making easier the job of preparing varied and interesting meals. The *Fast 'n Easy* line appears to offer the Company a new and promising opportunity to establish a leadership position in what could develop into a very significant product category.

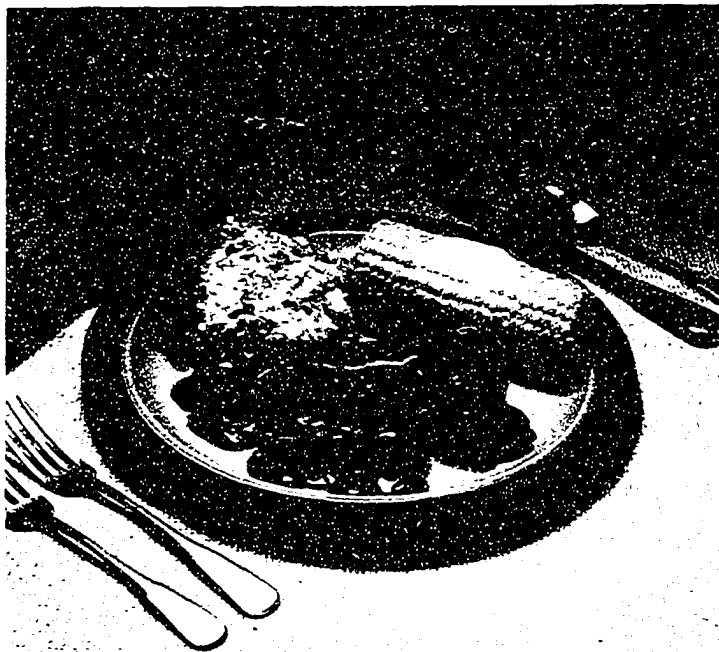
Food Service Division

The activities of the Food Service Division during fiscal 1980 involved much more than the introduction of the *Fast 'n Easy* precooked product line. Hormel has strengthened its total food service operations and is concentrating heavily on building a national marketing, sales and distribution network capable of filling the growing needs of restaurants and other volume-feeding institutions.



New precooked bacon sold to food service operators.

"Hormel has recently introduced to food service operators an entirely new line of precooked bacon and precooked sausage. . ."



Boneless beef short ribs in brown gravy

Although Hormel has marketed a line of specialized food service products for many years, the emphasis on this market has changed and the pace accelerated. Currently, the Food Service Division offers refrigerated meat products (boneless, cooked and canned hams, sliced bacon, wieners, smoked meats and dry sausage/deli products), frozen entrees (consisting of seafood and dairy, pork, beef and poultry items), and a full line of chopped and formed portion-control frozen meats (including precooked and uncooked, breaded and unbreaded beef, veal, pork and pizza patties).

Many of the Company's food service products are familiar to household consumers, such as *Cure 81* ham, *Old Smokehouse* bacon, *Little Sizzlers* pork sausage, and *Di Lusso* genoa. Others have been packed especially for the food service market; the *Full Menu* ham, *Layout Pack* wide shingled bacon, boneless beef short ribs in BBQ sauce, and *Tray-Pack* Midget Links are among them.

In virtually any eating out situation, consumers could be enjoying Hormel products. . . the ham in grilled ham sandwiches, the pepperoni for pizzas, the cocktail smokies on hors d'oeuvre platters, the beef stew for noon lunch, or the tasty fillet of haddock in butter sauce for that very special evening dinner. These products help extend the concept that the Company's Food Service Division is able to function as a "three-menu" source for the food service customer.

"In virtually any eating out situation, consumers could be enjoying Hormel products . . . extending the concept that the Company's Food Service Division is able to function as a 'three-menu' source for the food service customer."

"Many of the Company's food service products are familiar to household consumers. . . others have been packed especially for the food service market."



Fish Almondine

"Hormel continued its successful pattern of sales and growth in dry sausage. . . A major aspect of the Division's overall strategy is new product development."

Dry Sausage Division

Hormel continued its successful pattern of sales and growth in dry sausage, highlighted this past year by new product and brand development and expanded penetration into new market areas. The continuing emphasis on product quality — and the commitment to back up product strengths with vigorous marketing — also contributed to the record performance of the Dry Sausage Division in 1980.

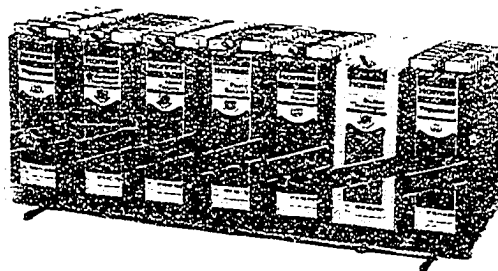
A major aspect of the Division's overall strategy is new product development which was supported by the addition of three new items to the consumer self-service line. Introduced in 12-oz. exact-weight packages were *Burgermeister* thuringer, a moderately-smoked traditional product, *Old Smokehouse* thuringer, offering a hearty smoked flavor, and *Lumberjack* beef summer sausage, a hearty all-beef item. These products offer the deli operator easy-to-price exact-weight units, and a vacuum-sealed packaging that insures longer shelf life. An attractive, eye-catching label helps to create repeat over-the-counter sales and improved product identity.

Hormel research has shown a split preference for supermarket deli sections. Many consumers choose to shop the service delis, enjoying the advantages of being waited upon and having the option of purchasing desired amounts sliced to order; other homemakers prefer the quickness and convenience offered by self-service deli operations. Hormel has been quick to respond to the growth opportunities available in both types of supermarket delis.

An aggressive marketing program titled, "*The Great Get-Togethers*," is currently developing strong brand identity and sales volume in many markets for the Company's popular presliced deli meats line. Six sausage favorites — *Hormel* pepperoni, *Di Lusso* genoa, *Old Smokehouse* thuringer, *Hormel* party salami, *Hormel* buffet thuringer, and *Hormel* hard salami — are included in this very special successful marketing and promotional endeavor.

To further increase distribution of the entire presliced deli meats line, the package design has illustrated recipe suggestions describing each product's versatility in salads, snacks, sandwiches and meals. In-store merchandising tools consist of colorful rail cards and specially-designed display racks which give additional prominence to "*The Great Get-Togethers*" line.

The continuing surge in popularity of the Company's Italian-style salamis and prosciutti hams led to the start of construction this past year of a 110,000 square foot dry sausage addition to the Ottumwa (Iowa) hog slaughtering and food processing plant. (Expansion of the Ottumwa plant is also discussed in the year-end review of the Operations Group included elsewhere in this 1980 Report). When completed this summer, Hormel will have dry sausage manufacturing operations at five locations — Austin, Minn., and Algona, Fort Dodge, Knoxville and Ottumwa, Iowa.



Top photo Hormel "Great Get-Togethers"
Bottom photo New additions to consumer self-service line were introduced in fiscal 1980.

"... Research has shown a split preference for supermarket deli sections. . . Hormel has been quick to respond to the growth opportunities available in both types. . ."



Prepared Foods Group

For the Prepared Foods Group, where growth and change have become rather commonplace, fiscal 1980 was also an eventful year.

It was a year that once again signalled the underlying strength of product diversity, including market leaders that traditionally enjoy strong consumer loyalty in a variety of categories. It was a year where plans were completed for the introduction of high-potential new products. It was a year where the culmination of capacity-expanding capital spending programs, the most significant being the Davenport (Iowa) gelatin manufacturing plant, has better placed the Prepared Foods Group in a solid position to develop new sources of strength and growth opportunities. And, it was a year in which the conversion to a highly-advanced, all-new ham processing system, plus the planned addition of a new item to the Company's popular ham patties line, helped to reaffirm once again that Hormel is truly "America's First Name for Ham!"

The net result of these developments has been to provide both the Grocery Products and Industrial Products Divisions of the Prepared Foods Group with the overall strength necessary to face the opportunities and challenges of the 1980's with confidence and optimism.

Ham Technology and Marketing

Confidence in the Grocery Products Division's ability to grow is convincingly demonstrated by past and current commitments to the canned hams and ham patties product lines. Of major significance has been the recent installation of a completely new shaping and trimming process that assures the highest possible uniform quality and exceptional leanness, a 30 per cent improvement, in all *Black Label* hams.

The technology incorporated into this highly-automated system combines the important vacuum-tumbling, tenderizing, curing and shaping techniques into one smooth and complete operation. The full line of *Black Label* hams (1½-, 3-, 4-, 5- and 8-pound can sizes) are now produced using this new process, assuring for the Company improved protein yield and efficient and equal processing of all hams and, for the American consumer, improved texture and tenderness and enhanced retention of flavor.

At year-end, this Hormel leanness message to consumers began appearing in national women's magazines through full-page, four-color advertisements titled, "There's Something Leaner Under Our Label." Also providing important reinforcement was the development of a totally-different trade advertisement for major grocery publications which enabled the Company to reach food buyers who function as the key decision-makers of national supermarket chains.

Coinciding with the improved product quality and the aggressively-supported advertising campaign is the soon-to-be introduced attractive new package design for the *Black Label* ham. Appetizing food photography, bold color designs and an easy-to-read lettering style will aid consumer shelf visibility and product identification

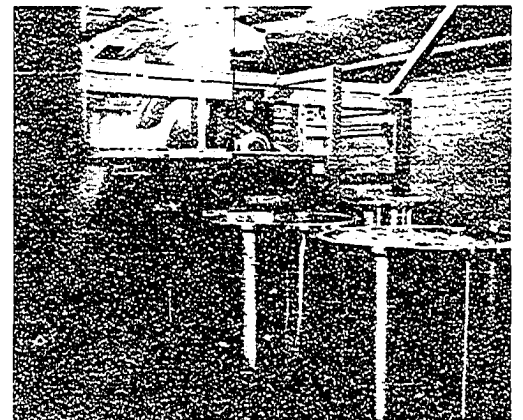
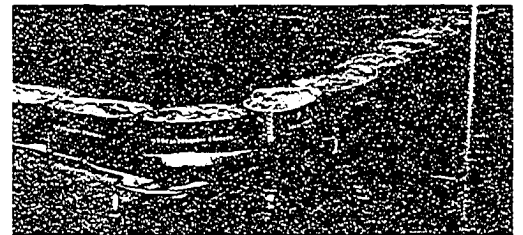
Confidence in the Grocery Products Division

"Confidence in the Grocery Products Division's ability to grow is convincingly demonstrated by past and current commitments to the canned hams and ham patties product lines."

Photo Identification

Left Page America's first canned ham, introduced in 1926, now appears on family dinner tables as the *Black Label*® ham

Below Installation of a new shaping and trimming process has resulted in improved leanness qualities for *Black Label*® ham





“Adding further support. . .is the planned introduction in early 1981 of still another ham product. . .”



Top Fine and festive party hams, Bottom Fast and fancy ham ideas

Ham and Cheese Patties

Adding further support to the Company's "America's First Name for Ham" promotion is the planned introduction in early 1981 of still another ham product — *Hormel* ham and cheese patties. Fully-cooked, smoke-flavored and packed six to a can, this product is to be marketed as an extension of the original *Hormel* ham patties which is a relatively new entry into the marketplace, having been placed into national distribution just three years ago. *Hormel* ham and cheese patties, plus two other scheduled additions, *Hormel* pork sausage patties, either mild or hot, represent an earnest Company endeavor to become a viable element in this rapidly-growing 35- to 40-million pound-a-year market category.

The 12-oz. *Hormel* ham patties and ham and cheese patties are positioned as popular alternatives to bacon, sausage and canned luncheon meats and as an economical meal for any eating occasion, whether breakfast, lunch or dinner. The 36-oz. size can, introduced in 1978, consists of 18 two-oz. patties, and continues to meet with increased favor among institutional outlets, including restaurants, hospitals, schools, airlines and hotels, and by large families seeking a combination of good food and good food values.

The consistent sales gain established year-in, year-out by *Hormel* ham patties, and anticipated for *Hormel* ham and cheese patties, confirms the belief that these items could very well join *SPAM* luncheon meat, *Hormel* chili, *Dinty Moore* beef stew, and others, as the No.-1 item in their respective product categories.

Two additions to the ham patties line.



“Chicken Vienna Sausage, an item selling so well that it has moved from test market into national distribution in less than one year.”



New label design for Short Orders® line



Moved from test market into national distribution

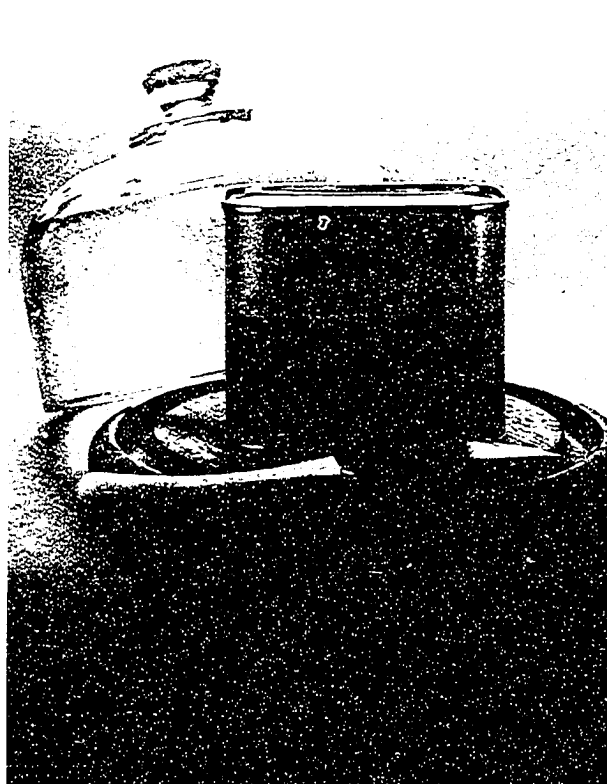
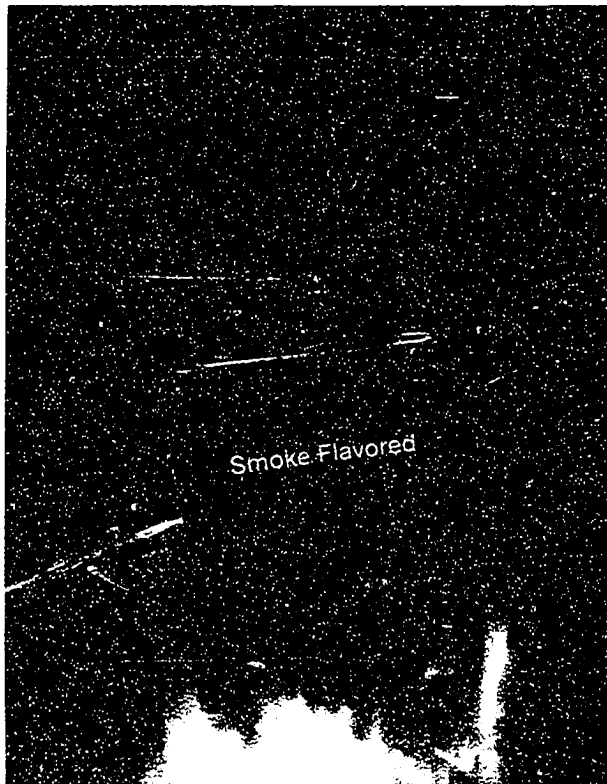
Other New Product Introductions

It is a well-accepted fact that food products are formulated and manufactured to meet identified consumer needs and desires. Since demands in the marketplace constantly change and grow, new and improved items are necessary to satisfy these ever-changing needs, to attract new consumers, and to strengthen the Company's already sound market position.

An example of a product developed to fill consumer needs and wants is Chicken Vienna Sausage, an item selling so well that it has moved from test market into national distribution in less than one year. Rising beef and pork costs resulted in a higher selling price for traditional vienna sausages, forcing some lower-income consumers to reduce their purchases or to switch to alternatives. Chicken Vienna Sausage is lower in price and offers consumers an exciting new taste with fewer calories and less fat.

The new Chicken Vienna Sausage has a deep-yellow, eye-appealing label that carries a definite distinction from the Company's regular Hormel vienna sausage.

A further extension of the Company's all-chicken line of products is slated for early 1981. Chicken Luncheon Loaf, to be sold in a 12-oz. tin, and Chicken Sandwich Makins', available in 4½- and 3-oz. sizes, should prove popular among consumers having a marked preference for chicken meat in their sandwiches, salads or casseroles, or whatever the meal occasion.



In a combined merchandising program, these products are featured as delightful new taste varieties

New Advertising/Packaging

Fresh advertising ideas and improved packaging are oftentimes helpful in creating new consumer interest in existing product lines. Both strategies were applied in 1980 to many already popular items marketed by the Grocery Products Division and had the effect of keeping the Company's volume growing and extending further each product's appeal in the marketplace.

The entire line of *Short Orders* individual canned servings, consisting of 30 single-portion items marketed under the well-known *Hormel*, *Dinty Moore* and *Mary Kitchen* brand names, is now appearing on supermarket shelves with an attractive new label. Involved in the design work were new product illustrations, changes in type style and colors, and a repositioning of the *Hormel* signature. These changes are expected to result in a better "family" resemblance between each item and improve markedly the built-in quality image associated with the *Hormel* name and the *Short Orders* individual canned servings brand.

A new "life" has also been given to *Hormel* roast beef and *Hormel* corned beef. Both items have been re-introduced in new packages, complete with recipes and serving suggestions printed on the back panel of each can, and supported by creative merchandising programs and vigorous sales efforts.

A new marketing and advertising program for *SPAM* smoke flavored and *SPAM* with cheese chunks luncheon meats has focused on the perennial attraction of the forerunner in the family, *SPAM* luncheon meat, which has enjoyed undisputed leadership in its product category. In a combined merchandising program, these two products are featured as additional items that provide consumers with delightful new varieties in taste at any time of day.

"Fresh advertising ideas and improved packaging. . .were applied in 1980 to many already popular items marketed by the Grocery Products Division."

"In 1980, Hormel was awarded a contract to supply seven ready-to-eat products for the Defense Personnel Support Center's . . . combat ration program."

Retortable Pouch Products

Hormel researchers continue to examine the possible uses of retortable pouches, a type of food packaging that provides the quality and convenience of frozen foods without refrigeration.

The Company entered the retort pouch market in mid-1978 with a product line designed primarily for the outdoor recreational market. However, the largest single outlet for convenient pouch items continues to be the military. In 1980, Hormel was awarded a contract to supply seven ready-to-eat products for the Defense Personnel Support Center's Meals Ready to Eat (MRE) combat ration program.

The single-serving, five-oz. size entrees consisted of beef diced in gravy, beef slices in barbecue sauce, beef steak, ham slices, turkey and gravy, ham and chicken loaf, and frankfurters. The U.S. Army, concerned with providing better tasting food to combat soldiers, views the flexible pouches as a possible replacement for the widely-used "C" rations. Retort packed foods offer several advantages, including a lighter weight and an easy-to-carry feature that doesn't restrict a soldier's movement, improved flavor and high food quality. Each of the meat dishes has the added convenience of being able to be eaten without heating; they can also be cooked in boiling water before serving.

Original research and test marketing of retortable foods was performed in a pilot operation at the Company's Austin (Minn.) plant. Encouraged by the possible growth opportunities in both retail and institutional markets, Hormel has since moved these limited production facilities to the Beloit (Wis.) canning plant where the manufacturing capabilities have been expanded greatly through the installation of new high-speed filling, sealing and processing equipment.

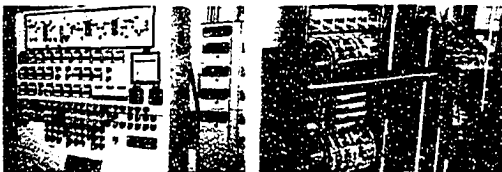
Industrial Products Division

It is anticipated that most of the growth prospects for both the Grocery Products and Industrial Products Divisions during the decade ahead will develop largely from existing business. Thus, in recent years, capital investments have been directed to pursuing and stressing those products and business lines where new applications, new markets and new related products might best provide the desired growth opportunities.

Many of these major investments have been planned to provide the Company with competitive advantages based on capacity, technology and cost. A notable example is the Davenport (Iowa) gelatin manufacturing plant. The larger-than-expected start-up costs and the difficulties experienced in establishing this technologically-advanced manufacturing operation have ended. The 100,000 square foot plant, unique to the industry, is now reaching its full production capabilities. It has the capacity to more than double the Company's current output of gelatin items, ranging from highly-technical pharmaceutical and photographic products to the more typical consumer items. Other specialized protein products are also produced in Davenport.

"Many. . .major investments have been planned to provide the Company with competitive advantages based on capacity, technology and cost."

Interior views and overall exterior photograph of the Davenport (Iowa) gelatin manufacturing plant



The Old Time Flavor Without the Labor

Yesterday—the preparation of ham meant hours of hot kitchen drudgery.

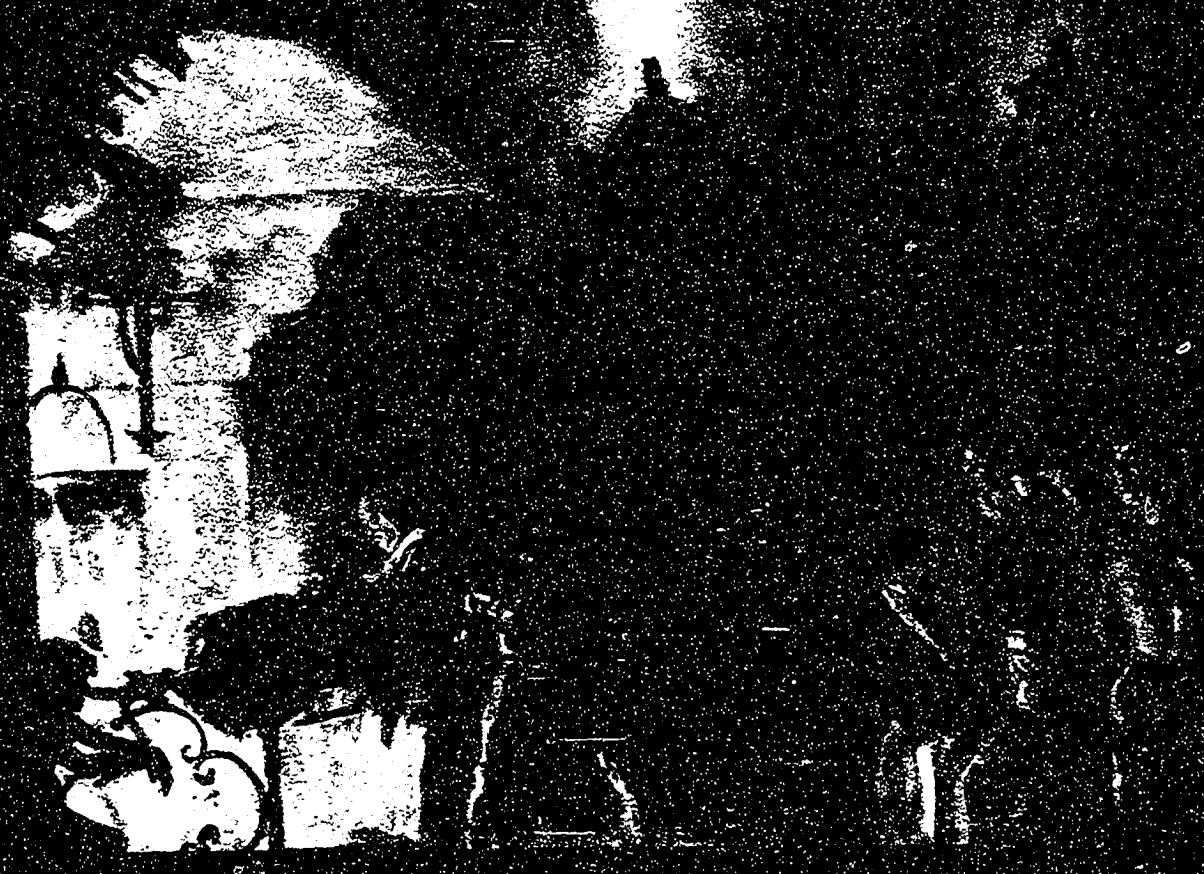
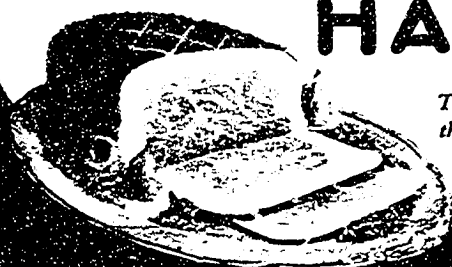
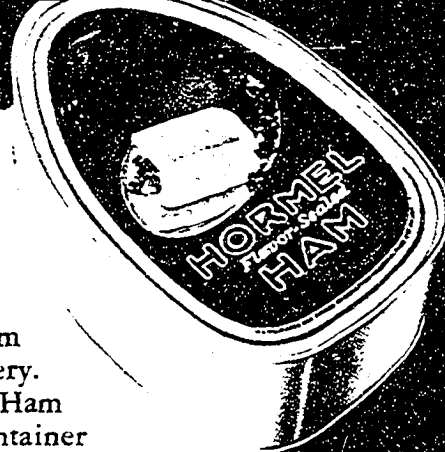
Today—Hormel Flavor-Sealed Ham comes completely cooked in the container in which you receive it.

As juicy and tender a ham as you ever tasted, because all the natural juices and flavors which escape in ordinary cooking *are saved*, sealed in by this exclusive cooking process.

Economical. No bone, no skin, no surplus fat, no waste, no cooking shrinkage. Geo. A. Hormel & Company, Austin, Minnesota.

HORMEL
Flavor-Sealed
HAM

*To bake, merely heat
through and brown*



America's First Name for Ham

Just about every major processor of branded consumer products today has its prestige line — one that serves as the “flagship” in keeping the company’s name before the consumer.

At Geo. A. Hormel & Company, that product line is ham, and naturally so, as it was Hormel, over 50 years ago, which successfully developed America’s first canned ham. This represented a major milestone in meat convenience.

Since that time, back in 1926, generations of consumers have learned to trust products bearing the *Hormel* label. In particular, America’s homemakers have recognized the efforts that have led to increased skills in ham-making. . .the techniques adapted to preserve old-fashioned quality and flavor. . .and the steady pioneering of new ham products that more closely meet the ever-changing demands of the marketplace.

These factors have contributed significantly to a valued, widely-held reputation which has brought merit to the title, “*Hormel: America’s First Name for Ham.*” As 1980 ended, it was this theme which provided the basis for the largest retail ham products promotion in Company history.

Holiday Ham Booklet

The impetus given to this highly-imaginative program was effectively demonstrated at year-end with the development of a colorful eight-page supplement to the December issue of *Reader’s Digest*. Many of the Company’s best holiday ham recipes were included, along with appetizing food photography, in an attractive and effective style designed to reach one of every three homes in America and over 32,000,000 decision-making homemakers.

The *Cure 81*, *Curemaster*, *Black Label* and *Holiday Glaze* hams were featured as festive party hams offering dependability and value, superb quality, leanness and flavor attributes. The Company’s “*Ham it Up!*” luncheon meats, including *Smoked Ham* and *Ham and Cheese Loaf*, along with *Tender Chunk* ham and *Hormel* ham patties, were suggested as “how to do” fast-and-easy ham ideas for that very special holiday brunch or buffet.

Providing important continuity to the overall promotion is the use of the “*America’s First Name for Ham*” tag-line which appears with the *Hormel* signature in all print media advertising and spot TV commercials featuring *Hormel* ham products.

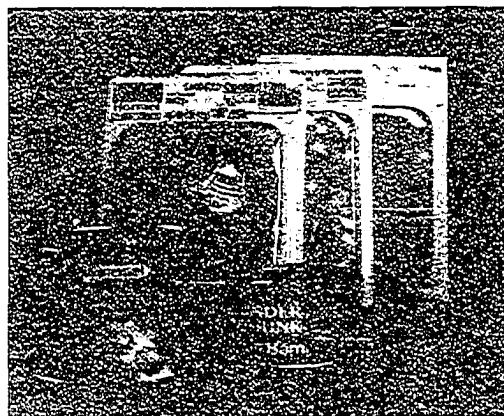
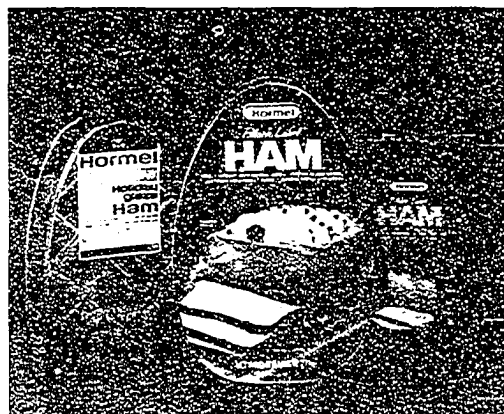
Ham Honor Roll

The Company’s preeminence as a nationally-known and well-respected manufacturer of quality ham products is not a new development. Instead, looking back to our corporate roots, it represents a standard of excellence first established by Geo. A. Hormel himself — a standard that was repeatedly tested and earned over the ensuing nine decades.

Photo Identification

Left Page This 1929 advertisement describes the many features of America’s first canned ham

Below These nationally-known, consumer preferred products have enabled Hormel to earn distinction as “America’s First Name for Ham ”



From the very beginning, Mr. Hormel considered hams to be a "specialty of the house," and the foundation for his company was built, in part, upon the steady demand this premium, uniformly high quality product enjoyed in neighborhood meat markets. It was the arrival of a truly historic event in 1926, the introduction of America's first canned ham, that quickly propelled Geo. A. Hormel & Company into the forefront as a ham-making specialist. Development of the *Hormel "Flavor-Sealed"* ham was perceived by homemakers as a bold, innovative discovery. It succeeded in opening many new markets for the Company, introduced the *Hormel* name to millions of people, and actually paved the way for changing what was generally recognized as a regional meat packing enterprise into a nationally-known company.

Within the past half-century, numerous other major developments have helped reinforce the Company's image as a leading manufacturer of quality hams. To many observers, the list is an impressive one:

★ Introduction in February, 1963, of the *Cure 81* ham, a smoked, fully-cooked boneless ham that continues today as the overwhelming choice in America as the largest selling product in its market category;

★ Development in the early 1960's of a vacuum-sealed, see-through resealable package for Cooked Ham, Ham and Cheese Loaf, Chopped Ham and other sliced luncheon meats marketed today under the Perma Fresh brand;

★ Introduction in 1970 of the *Curemaster* ham, a 1 $\frac{3}{4}$ - to 2 $\frac{3}{4}$ -pound ham designed to reach the growing one- and two-person market with a just-right, six- to nine-servings, family-style ham;

★ Also, in 1970, introduction of the *EXL* ham, an extra-lean premium-quality canned ham that included a unique, unconditional guarantee of satisfaction on the label;

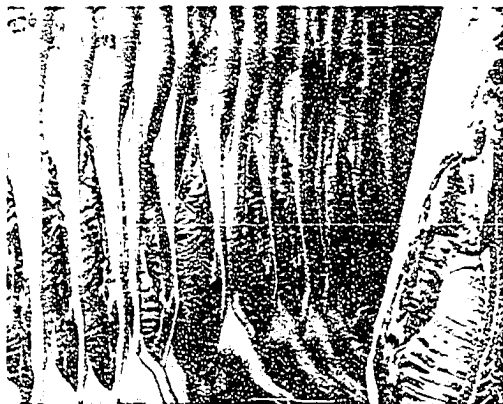
★ Development in 1976 of *Tender Chunk* ham, a new all-ham product concept marketed as a tuna alternative for homemakers desiring versatility in sandwiches, salads, casseroles and hors d'oeuvres;

★ Introduction in 1978 of *Hormel* ham patties as a popular alternative to bacon, sausage and canned luncheon meats and the planned introduction in 1981 of two extensions to this product line — *Hormel* ham and cheese patties and *Hormel* pork sausage patties, either mild or hot;

★ Expansion of the Perma Fresh line in 1978 to include Smoked Cooked Ham which, today, has developed into one of the top-selling items in the Company's luncheon meat category, and

★ Application of new technology and equipment used in the production of *Black Label* canned hams which has helped insure efficient and equal processing of all hams. Improved protein yield, uniformity of quality and enhanced flavor and tenderness.

Below Quality in ham manufacturing requires painstaking care and constant attention to detail



"From the very beginning, Mr. Hormel considered hams to be a 'specialty of the house.' "

“ . . .Hormel ham products are supported with increased advertising in print and broadcast media. . .Such programs keep product volume growing and help maintain the Company's leadership role in the processed ham market.”

These major achievements attest to the constant search for innovation that has been a part of the Hormel tradition for many years. The same process of expansion and improvement described above is also found in the broadened varieties of presliced ham luncheon meats marketed by Hormel (Cooked Ham, Chopped Ham, Red Peppered Ham, Black Peppered Ham, Ham and Cheese, and the recently-introduced Smoked Cooked Ham), or the many varieties and sizes of canned ham products, including *Black Label* (available in 1½-, 3-, 4-, 5- and 8-pound sizes), *Holiday Glaze* (offered in a choice of 3- or 5-pound sizes), and *EXL* (packed in a 3-pound can).

These Hormel ham products are supported with increased advertising in print and broadcast media. Under such unified themes as “*Ham it Up!*” (presliced ham luncheon meats), “*Dependability worth paying for!*” (*Cure 81* ham), “*It does everything tuna does except swim!*” (*Tender Chunk* ham), “*There's something leaner under our label!*” (*Black Label* ham), and “*Little, lean and luscious!*” (*Curemaster* ham), these messages single out the flavor, texture, versatility and good value attributes of the products. Such programs keep product volume growing and help maintain the Company's leadership role in the processed ham market.

Ham-making Artistry

There can be no doubt that quality in ham manufacturing has provided Hormel with a solid foundation for growth through the years. The selection of fresh hams from government-inspected hogs, the boning and trimming operations, the curing, cooking and chilling, the packaging, labeling and distribution — all require painstaking care and constant attention to detail.

Whether in the manufacture of *Cure 81* hams or in the processing of *Tender Chunk* ham or *Hormel* ham patties, a set of formulas and procedures guide personnel in every step. Company plants, wherever located, use the same standards, the same formulas.

This commitment to quality is followed throughout the Company's operations, not just in manufacturing, but in research, planning, marketing, advertising and sales, and in all other areas in which it functions. It has earned for us a reputation for integrity and dependability and for consistently high quality products.

It has sustained the Company in the past. It will continue to do so in the future. It confirms what many have known for years. Hormel is:

“America's First Name for Ham!”



Above. The commitment to quality is followed throughout the Company's operations, including manufacturing (top photo), marketing and promotion (center photo), and sales (bottom photo)

“The commitment to quality . . .confirms what many have known for years. . .Hormel is: ‘America's First Name for Ham.’ ”

Officers and Directors

I. J. Holton, Austin
Chairman of the Board
Chief Executive Officer
Director since February, 1961

R. L. Knowlton, Austin
President
Chief Operating Officer
Director since September, 1974

Raymond J. Asp, Austin
Executive Vice President
Director since August, 1969

Lee D. Housewright, Jr., Austin
Executive Vice President
Director since August, 1969

William R. Hunter, Austin
Group Vice President
Director since July, 1979

E. C. Alsaker, Austin
Vice President & Treasurer
Director since November, 1969

Bruce Corey, Austin
Vice President
Planning & Engineering
Director February, 1960-December, 1979
Resigned as Director December 31, 1979

John R. Furman, Austin
Vice President
Dry Sausage Division

Robert M. Gill, Austin
Vice President
Personnel & Industrial Relations
Director since August, 1970

Stanley E. Kerber, Austin
Vice President
Route Car Sales, Distribution
Plant and Food Service Divisions

Clayton T. Kingston, Austin
Vice President
Pork Operations

Robert F. Potach, Austin
Vice President & Controller
Director since October, 1970

James A. Silbaugh, Austin
Vice President
Grocery Products Division

Donald S. Sorenson, Austin
Vice President
Beef Operations

Byron M. Crippin, Jr., Austin
General Counsel

Charles D. Nyberg, Austin
Secretary &
Director of Public Relations

Don J. Hodapp, Austin
Assistant Controller
Data Processing

Richard W. Schlange, Austin
Assistant Controller
Accounting

Walter B. Stevens, Austin
Assistant Treasurer
Finance

Robert J. Thatcher, Austin
Assistant Treasurer
Taxes

Clarence G. Adamy,
Alexandria, Va.
Food Industry Consultant
Former President
National Association of
Food Chains
Director since January, 1977

Sherwood O. Berg,
Brookings, S.D.
President
South Dakota State University
Director June, 1969-June, 1973
Re-elected November, 1976

Donald R. Grangaard,
Minneapolis, Minn.
Chairman of the Board
First Bank System, Inc.
Director since July, 1974

Committees of the Board

Personnel Committee

I. J. Holton,
chairman
Donald R. Grangaard

Contributions Committee

Lee D. Housewright, Jr.,
chairman
Robert M. Gill

Audit Committee

Donald R. Grangaard,
chairman
Clarence G. Adamy
Sherwood O. Berg

Executive Committee

I. J. Holton,
chairman
R. L. Knowlton
Raymond J. Asp
Lee D. Housewright, Jr.
William R. Hunter
E. C. Alsaker
Robert M. Gill
Robert F. Potach

Summary of Operations

Sales and gross earnings in the meat packing industry are influenced to a significant degree by the fluctuating cost of livestock and consumers' demand for meat products. The following discussion analyzes material changes in the major items.

1980 and 1979

Company sales decreased by \$92,050,000 or 6.5% in 1980 compared to the record high of 1979. The decrease was due largely to a reduction in fresh meat volume which has a low margin of profit. The Company closed the Mitchell, South Dakota, hog slaughtering plant, operated the hog slaughtering at the Austin, Minnesota, plant at less than full capacity and shut down the beef slaughtering plant at Miami, Oklahoma. The principal effect of these actions was to make less fresh pork and beef available for sale.

Advertising expenditures increased 14.6% or \$2,256,000 in 1980 compared to 1979 partly as a result of the Company's continuing strategy to develop new programs to make the consumer more aware of the dependability and high quality of Hormel products and partly due to increasing media rates.

Maintenance and repair costs of \$23,831,000 in 1980 compared to \$20,016,000 for 1979 reflected the higher costs of service labor and repair supplies which is inherent in the operation of highly automated production equipment.

Interest expense decreased from \$4,013,000 in 1979 to \$1,907,000 in 1980 because of reduced short-term borrowing and the change in accounting for capitalizing interest on construction as required by the Financial Accounting Standards Board Report No. 34.

Income Taxes decreased in 1980 compared to 1979 because of increased investment tax credit. Investment tax credit is applied using the flow-through method of accounting. The effective tax rate for 1980 and 1979 was 42.4% and 44.6% respectively.

Earnings of \$32,758,000 were the highest in the Company's history which equaled 2.48 cents per dollar of sales in 1980 and 2.12 cents per dollar of sales in 1979.

1979 and 1978

Sales increased \$169,151,000 or 13.6% over 1978. The increase was the result of increased prices and a 5% increase in sales tonnage. Prices on fresh pork products declined in 1979 but increases in other costs more than offset that decline.

Gross profit increased \$36,995,000 or 23.6% in 1979 compared to 1978. The increase was attributable to increased sales, utilization of facilities at optimum operating levels, and a change in product mix, substituting processed product tonnage for sales of low-margin beef.

Cost of goods sold increased \$132,155,000 or 12.1% over 1978 due to greater sales coupled with higher costs for payroll taxes, utilities, packaging, and supplies.

Advertising costs were up \$1,146,000 or 8% over 1978. The scope of our advertising program and the media utilized to promote our products did not change; however, the costs for radio and TV time and space-line rate charges increased.

Maintenance and repair costs for 1979 were \$20,016,000 compared to \$18,732,000 for 1978. During the year equipment was operated at near capacity and the cost of wages and related supplies continued to escalate.

Increased interest expense incurred by the Company during 1979 reflects higher interest rates on higher average short-term borrowings. Interest expense for 1979 was \$4,013,000 compared to \$3,409,000 for 1978.

Income taxes were \$24,125,000 for 1979 and \$14,859,000 for 1978 with an effective tax rate of 44.6% and 43.3% respectively. Investment credit is applied using the flow-through method which contributes to the reduction of the statutory 46.33% tax rate.

Earnings were the highest in the Company's history due primarily to the near-record supply of hogs. Earnings of \$29,970,000 showed an increase of \$10,499,000 over 1978. Net income equaled 2.12 cents per dollar of sales in 1979 and 1.56 cents per dollar of sales in 1978.

Ten Year Review

(In thousands of dollars)

OPERATIONS		1980	1979
Net Sales		\$1,321,966	\$1,414,016
Net Earnings		32,758	29,970
Percent of Sales		2.48%	2.12%
Wage Costs		254,303	233,878
Total Taxes (excluding Payroll Tax)		23,078	27,635
Depreciation		13,452	12,102
FINANCIAL POSITION			
Working Capital	\$	69,843	\$ 84,646
Properties (net)		160,826	119,213
Total Assets		355,853	323,149
Stockholders' Investment		208,297	183,608
PER SHARE OF COMMON STOCK**			
Net Earnings	\$	3.41	\$ 3.12
Dividends84	.74
Stockholders' Investment		21.68	19.11

*53 Weeks

**Per share information has been retroactively adjusted to reflect the January
All years have been restated to reflect the change in accounting method for

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

1978	1977	1976*	1975	1974	1973	1972	1971
1,244,865	\$1,106,274	\$1,094,832	\$995,593	\$943,163	\$825,671	\$719,755	\$686,487
19,471	21,499	14,352	12,863	16,916	7,191	7,605	16,477
1.56%	1.94%	1.31%	1.29%	1.79%	.87%	1.06%	2.40%
201,633	192,590	180,236	167,951	151,920	129,823	129,633	128,150
17,997	22,857	13,844	12,703	17,679	8,525	9,258	18,865
11,551	11,312	10,697	9,140	7,667	7,125	6,417	5,435
77,523	\$ 79,253	\$ 63,957	\$ 64,350	\$ 48,659	\$ 34,256	\$ 39,275	\$ 43,646
103,992	99,921	97,465	85,398	74,392	67,481	60,178	51,841
279,495	258,283	228,585	224,488	193,696	179,950	149,468	153,144
160,747	147,808	131,689	122,141	113,697	100,872	97,617	92,788
\$ 2.03	\$ 2.24	\$ 1.49	\$ 1.34	\$ 1.76	\$.75	\$.79	\$ 1.72
.68	.56	.50	.46	.42	.41	.39	.38
16.73	15.39	13.71	12.71	11.84	10.50	10.16	9.66

30, 1980, two-for-one stock split.

compensated absences as described in Note F to the Financial Statements.

Responsibilities for Financial Statements


The accompanying consolidated financial statements were prepared by the management of Geo. A. Hormel & Company which is responsible for their integrity and objectivity. These statements have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and, as such, include amounts that are based on our best estimates and judgments.

Geo. A. Hormel & Company has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit, and well-qualified personnel.

These financial statements have been examined by Ernst & Whinney, independent certified

public accountants, and their report appears on page 33. Their examination is conducted in accordance with generally accepted audit standards and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent public accountants, management, and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Whinney and our internal auditors have full and free access to the Audit Committee with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting.



I. J. HOLTON
Chairman of the Board
and Chief Executive Officer



R. F. POTACH
Vice President and Controller

Report of Ernst & Whinney, Independent Auditors

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statements of consolidated financial position of Geo. A. Hormel & Company and subsidiaries as of October 25, 1980 and October 27, 1979, and the related statements of consolidated earnings, changes in stockholders' investment and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Geo. A. Hormel & Company and subsidiaries at October 25, 1980 and October 27, 1979, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in the method of accounting for compensated absences and except for the change in the method of accounting for interest costs, with which we concur, as described in Note F to the financial statements.

Ernst & Whinney

Minneapolis, Minnesota
November 19, 1980

Statements of Consolidated Financial Position

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	October 25, 1980	October 27, 1979
ASSETS		
CURRENT ASSETS		
Cash	\$ 7,883,645	\$ 10,295,603
Short-term marketable securities — at cost which approximates market	9,763,950	38,119,385
Accounts receivable, less allowance (\$445,000)	73,389,190	68,506,749
Inventories of products, livestock, packages and supplies — Note C	96,017,922	77,830,134
Prepaid expenses	1,850,389	686,212
TOTAL CURRENT ASSETS	188,905,096	195,438,083
INVESTMENTS AND OTHER ASSETS	5,549,747	3,825,321
DEFERRED INCOME TAXES — Note G	572,903	4,672,806
PROPERTY, PLANT AND EQUIPMENT		
Land	3,664,874	3,096,084
Buildings	73,036,386	72,967,018
Equipment	148,274,748	134,956,064
Construction in progress — Notes F and I	45,630,173	8,260,717
	270,606,181	219,279,883
Less allowance for depreciation	109,780,516	100,066,619
	160,825,665	119,213,264
	<u>\$355,853,411</u>	<u>\$323,149,474</u>

	<u>October 25, 1980</u>	<u>October 27, 1979</u>
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Notes payable	\$ 625,409	\$ 475,000
Accounts payable and accrued expenses	113,955,584	98,976,720
Dividend payable	2,017,368	1,777,205
Federal income taxes	2,208,339	9,319,585
Current maturities of long-term debt	<u>255,000</u>	<u>244,000</u>
TOTAL CURRENT LIABILITIES	119,061,700	110,792,510
LONG-TERM DEBT — less current maturities —		
Note D	28,495,000	28,749,000
STOCKHOLDERS' INVESTMENT — Notes B and F		
Common Stock, par value \$.9375 a share — authorized 12,000,000 shares, issued — 9,606,516 shares	9,006,109	9,006,109
Additional paid-in capital	2,761,377	2,761,377
Earnings reinvested in business	<u>196,529,225</u>	<u>171,840,478</u>
	208,296,711	183,607,964
	<u>\$355,853,411</u>	<u>\$323,149,474</u>

See notes to consolidated financial statements

Statement of Changes in Consolidated Stockholders' Investment

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Earnings Reinvested in Business</u>
Balance at October 28, 1978 as previously reported	\$9,006,109	\$2,761,377	\$155,102,533
Cumulative effect to October 28, 1978 of accounting change less related taxes of \$5,652,107 — Note F	_____	_____	(6,123,116)
Balance at October 28, 1978 restated	9,006,109	2,761,377	148,979,417
Net earnings for the year 1979 as previously reported			30,612,215
Effect of accounting change less related taxes of \$609,535 — Note F			(642,333)
Cash dividends declared — \$.74 a share	_____	_____	(7,108,821)
Balance at October 27, 1979 restated	9,006,109	2,761,377	171,840,478
Net earnings for the year			32,758,220
Cash dividends declared — \$.84 a share	_____	_____	(8,069,473)
Balance at October 25, 1980	<u>\$9,006,109</u>	<u>\$2,761,377</u>	<u>\$196,529,225</u>

See notes to consolidated financial statements

Statements of Consolidated Earnings

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended	
	October 25, 1980	October 27, 1979
Sales, less returns and allowances	\$1,321,966,465	\$1,414,015,652
Interest and other income	669,490	1,766,295
	1,322,635,955	1,415,781,947
Costs and expenses:		
Cost of products sold	1,113,622,424	1,220,492,452
Selling and delivery	127,921,381	117,124,020
Administration and general	22,330,206	20,057,937
Interest	1,907,724	4,012,656
	1,265,781,735	1,361,687,065
EARNINGS BEFORE INCOME TAXES	56,854,220	54,094,882
Provision for income taxes — Note G	24,096,000	24,125,000
NET EARNINGS (per share — 1980 — \$3.41; 1979 — \$3.12)	\$ 32,758,220	\$ 29,969,882

See notes to consolidated financial statements

Statements of Changes in Consolidated Financial Position

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended	
	October 25, 1980	October 27, 1979
Working capital at beginning of year	\$ 84,645,573	\$77,523,151
Additions:		
From operations:		
Net earnings for the year	32,758,220	29,969,882
Provision for depreciation	13,452,360	12,102,125
Deferred income taxes	4,099,903	683,000
TOTAL FROM OPERATIONS	50,310,483	42,755,007
Carrying value of disposals of property, plant and equipment	603,986	117,878
	50,914,469	42,872,885
Deductions:		
Payments and maturities of long-term debt	254,000	244,000
Additions to property, plant and equipment	55,668,747	27,440,965
Cash dividends on Common Stock	8,069,473	7,108,821
Increase in investments and other assets	1,724,426	956,677
	65,716,646	35,750,463
INCREASE (DECREASE) IN WORKING CAPITAL	(14,802,177)	7,122,422
WORKING CAPITAL AT END OF YEAR	\$ 69,843,396	\$84,645,573
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	\$ (2,411,958)	\$ 3,256,092
Short-term marketable securities	(28,355,435)	29,695,240
Accounts receivable	4,882,441	1,364,185
Inventories	18,187,788	(5,561,357)
Prepaid expenses	1,164,177	(593,862)
	(6,532,987)	28,160,298
Increase (decrease) in current liabilities:		
Notes payable	150,409	36,000
Accounts payable and accrued expenses	14,978,864	15,504,442
Dividend payable	240,163	144,097
Federal income taxes	(7,111,246)	5,342,337
Current maturities of long-term debt	11,000	11,000
	8,269,190	21,037,876
INCREASE (DECREASE) IN WORKING CAPITAL	\$(14,802,177)	\$ 7,122,422

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

October 25, 1980

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Hormel and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's equity therein.

Segment Information: Hormel is engaged in a single business segment designated as "meat and food processing". As a federally inspected food processor, it slaughters livestock for processing into meat products which are sold at the wholesale trade level. Export sales account for less than 2% of sales. No customer accounts for more than 3% of sales.

Inventories: Inventories are valued at the lower of cost or market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Property, Plant and Equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized.

Pension Plans: The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes: Provision is made in the financial statements for deferred income taxes arising primarily from timing differences in accounting for depreciation for tax and financial reporting purposes and the effect of a change in accounting method for compensated absences (see Note F). Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Earnings Per Share: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year. Earnings per share have been retroactively adjusted to reflect the two-for-one stock split in 1980. (See Note B.)

Fiscal Year: The Company's fiscal year ends on the last Saturday in October.

Notes to Consolidated Financial Statements (CONTINUED)

NOTE B — STOCKHOLDERS' INVESTMENT

On January 29, 1980, the shareholders approved an increase in the authorized Common Stock from 6,000,000 to 12,000,000 shares, reduced the par value from \$1.875 to \$.9375 per share, and approved a two-for-one Common Stock split. All references to per share amounts elsewhere in the financial statements reflect the stock split.

The shareholders also approved the elimination of the 50,000 shares of authorized, but unissued, Preferred Stock.

NOTE C — INVENTORIES

Inventoriable expenses, packages and supplies amounting to approximately \$22,600,000 at October 25, 1980 and \$22,100,000 at October 27, 1979, are stated at cost determined by the last-in, first-out method, and are \$14,600,000 and \$10,100,000 lower in the respective years than such inventories determined under the first-in, first-out method.

NOTE D — LONG-TERM DEBT

	October 25, 1980	October 27, 1979
9% notes	\$25,000,000	\$25,000,000
Capitalized leases	3,749,000	3,993,000
	<u>28,749,000</u>	<u>28,993,000</u>
Less current maturities	255,000	244,000
	<u>\$28,494,000</u>	<u>\$28,749,000</u>

The 9% notes are due in 1985 and contain certain provisions and restrictions relating to limitations on liens, sale and leaseback arrangements, and funded debt. The Company is in compliance with the provisions and restrictions of the Note Agreement at October 25, 1980.

NOTE E — PENSION PLANS

Contributions to the Company's pension plans for 1980 and 1979 were \$16,110,000 and \$15,100,000, respectively. Approximately two-thirds of the pension costs relate to union plans. Under the terms of a 1979 union contract, pension costs will increase approximately 15% spread evenly over the remaining two contract years. The actuarially computed value of vested benefits for all plans exceeded the pension fund assets at October 25, 1980 by \$32,800,000. The October 27, 1979 actuarial valuations include changes in the actuarial method of calculation to conform to 1979 interpretations of the American Academy of Actuaries and an increase in the assumed actuarial rate of return from 6% to 7%. The net effect of these changes reduced the unfunded present value of vested benefits by approximately \$13,000,000.

Notes to Consolidated Financial Statements (CONTINUED)

NOTE F — ACCOUNTING CHANGES

Effective October 28, 1979, the Company changed its method of accounting for interest costs to comply with Financial Accounting Standards Board Statement No. 34. The Company previously followed the policy of expensing interest costs as incurred. As a result of the change, interest costs of \$1,068,000 incurred during fiscal 1980 have been capitalized as part of the cost of newly constructed manufacturing facilities. This accounting change increased net income for fiscal 1980 by \$577,000 (\$.06 per share). The prior year's financial statements have not been restated because FASB Statement No. 34 prohibits retroactive application.

Also effective October 28, 1979, the Company changed its method of accounting for compensated absences from the cash to the accrual basis to comply with the Financial Accounting Standards Board Statement No. 43. Earnings reinvested in business as of October 28, 1978, have been restated for the cumulative effect of this change on prior years' net earnings. Net earnings for the years ended October 25, 1980 and October 27, 1979 are \$794,000 and \$642,000 lower, net of tax effect, respectively, as a result of the change.

NOTE G — INCOME TAXES (In Thousands)

The components of the provision for income taxes are as follows:

	Fiscal Year Ended					
	October 25, 1980			October 27, 1979		
	Total	Current	Deferred	Total	Current	Deferred
U.S. Federal	\$22,042	\$18,114	\$3,928	\$22,006	\$21,524	\$482
Foreign	249	249		280	280	
State	1,805	1,633	172	1,839	1,638	201
	<u>\$24,096</u>	<u>\$19,996</u>	<u>\$4,100</u>	<u>\$24,125</u>	<u>\$23,442</u>	<u>\$683</u>

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate for fiscal 1980 and 1979 follows:

	1980	1979
U.S. statutory rate	46.0%	46.3%
State taxes on income, net of federal tax benefit	1.7	1.8
Investment tax credits	(6.8)	(3.6)
All other, net	1.5	1
Effective tax rate	<u>42.4%</u>	<u>44.6%</u>

The fiscal 1979 provision reflects the restatement for the change in accounting method for compensated absences (Note F).

Notes to Consolidated Financial Statements (CONTINUED)

NOTE H — LEASES

Rental expense and future lease commitments are not material.

NOTE I — CONSTRUCTION IN PROGRESS

The estimated costs to complete construction in progress at various locations at October 25, 1980 is approximately \$81,000,000.

NOTE J — QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following tabulation reflects the unaudited quarterly results of operations for the years ended October 25, 1980 and October 27, 1979 (amounts in thousands except per share data).

	<u>Net Sales</u>	<u>Gross Profit</u>	<u>Net Earnings</u>	<u>Earnings Per Share</u>
1980				
First Quarter	\$ 327,833	\$ 56,278	\$12,190	\$1.27
Second Quarter	306,662	46,257	4,796	.50
Third Quarter	314,694	54,427	9,506	.99
Fourth Quarter	372,777	51,382	6,266	.65
	<u>\$1,321,966</u>	<u>\$208,344</u>	<u>\$32,758</u>	<u>\$3.41</u>
1979				
First Quarter	\$ 339,398	\$ 45,400	\$ 7,363	\$.77
Second Quarter	357,529	44,973	5,826	.60
Third Quarter	351,683	46,325	6,569	.69
Fourth Quarter	365,406	56,825	10,212	1.06
	<u>\$1,414,016</u>	<u>\$193,523</u>	<u>\$29,970</u>	<u>\$3.12</u>

Quarterly and annual gross profit and net earnings have been restated to reflect the change in method of accounting for compensated absences (Note F).

NOTE K — SUPPLEMENTAL INFORMATION ON THE EFFECTS OF INFLATION (Unaudited)

The following supplemental information is presented to comply with Statement No. 33 issued by the Financial Accounting Standards Board (FASB), "Financial Reporting and Changing Prices". The disclosures were developed for the purpose of measuring the effect of inflation on the operations of companies.

It is important that financial statement users understand that the disclosures attempt to measure the effect of inflation on Hormel, yet they are experimental in nature and should be used with caution in making comparisons with other companies since assumptions and methodology used in preparing the disclosures may vary among companies.

Traditional financial statements prepared using generally accepted accounting principles are based on transactions entered into and completed using the historical dollar and are not designed to show all the effects of inflation. The disclosures of FASB

Notes to Consolidated Financial Statements (CONTINUED)

No. 33 require adjusting the historical statement of earnings and certain assets and liabilities by two different methods: current cost and constant dollar.

The current cost method used by the Company values fixed assets and inventories presently owned at their current cost at year-end, except for the manufacturing facility in Austin, Minnesota, which will be replaced in 1982 by a new facility presently under construction. Current costs for this plant are determined using cost to complete offset by the present value of operational savings anticipated over the life of the facility. Depreciation expense and cost of products sold are based on these restated values. The constant dollar method values fixed assets and inventories by applying the Consumer Price Index to the historical cost of fixed assets and inventories to bring the cost up to average fiscal 1980 purchasing power. Depreciation expense and cost of products sold are based on these restated values.

The provision for income taxes included in the supplemental statement of earnings is the same as reported in the historical statement of earnings. Present tax laws do not allow deductions for higher depreciation adjustments for the effects of inflation. During periods of persistent inflation and rapidly increasing prices, such a tax policy frequently results in effective tax rates in excess of statutory rates.

Earnings Adjusted for Inflation for the Year Ended October 25, 1980

	Current Cost	Constant Dollar
	(In thousands)	
Earnings before taxes as reported in the historical Statement of Consolidated Earnings	\$56,854	\$56,854
Excess of adjusted cost of products sold over historical cost of products	-0-	(7,305)
Excess of adjusted depreciation over historical depreciation	(2,370)	(2,553)
Adjusted earnings before income taxes	54,484	46,996
Provision for income taxes as reported in the historical Statement of Consolidated Earnings	24,096	24,096
Adjusted earnings	\$30,388	\$22,900
Adjusted earnings per share	\$3.16	\$2.38
Adjusted net assets at year end	\$263,909	\$259,588

ADJUSTED EARNINGS — CURRENT COST

Earnings adjusted for the current cost method are \$30,338,000 compared to historical earnings of \$32,758,220. The impact of inflation on the Company's earnings measured under the current cost method is small because of the rapid turnover of meat inventories and the application of the LIFO inventory method for all other inventories and because of the continuing effort of the Company to increase productivity by maintaining technologically current manufacturing facilities.

ADJUSTED EARNINGS — CONSTANT DOLLAR

The adjusted earnings for constant dollar method are \$22,901,000 and differ from adjusted earnings for the current cost method because the historical cost of products

Notes to Consolidated Financial Statements (CONTINUED)

sold must be adjusted by the Consumer Price Index to reflect average fiscal 1980 purchasing power. This adjustment does not present true market conditions since selling prices of the Company's products are responsive to current costs.

Purchasing Power Gain Due to Net Monetary Liabilities Position

During fiscal 1980, the Company maintained a net monetary liability position, which means monetary liabilities (current liabilities and long-term debt) exceeded monetary assets (cash, accounts receivable and marketable securities). With prices increasing during 1980, the net monetary liability position resulted in a gain of general purchasing power of \$3,915,000.

Increases in Current Cost of Inventories and Properties

Under current cost accounting, increases in specific prices of inventories and properties held during the year (including realized gains and losses on those sold or used) are not included in earnings but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and properties. The increase in current cost for fiscal 1980 consists of the following amounts:

	(In thousands)
Increase during 1980 in the value of inventories and property, plant and equipment in constant dollars	\$16,548
Increase in current cost during 1980	19,801
Excess of increase in current cost over increase in general price level during 1980.	<u>\$3,253</u>

On October 25, 1980, current cost of inventory was \$110,618 and current cost of property, plant and equipment, net of accumulated depreciation, was \$199,307. Historical costs were \$96,018 and \$160,826, respectively

Comparison of Selected Supplemental Financial Data Adjusted for Effects of Inflation

	1980	1979	1978	1977	1976
	(In thousands, except per share data)				
Net sales:					
Historical	\$1,321,966	\$1,414,016	\$1,244,865	\$1,106,274	\$1,094,832
Constant dollars	1,321,966	1,606,322	1,564,795	1,491,257	1,566,705
Cash dividends per share:					
Historical	84	74	68	.56	.50
Constant dollars	84	.84	.85	.75	.72
Market price per share at year-end:					
Historical	19.12	16.16	12.25	12.19	10.75
Constant dollars	18.23	17.25	14.76	15.99	15.02
Average consumer price index	242.1	213.1	192.6	179.6	169.6

Stockholder Data

Common Stock

The common stock of the corporation (HRL) is listed on the American Stock Exchange.

Auditor

Ernst & Whinney
1800 First National Bank Building
Minneapolis, Minn. 55402

Transfer Agent

The First National Bank of Chicago
One First National Plaza
Chicago, Ill. 60670

Registrar

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Ill. 60690

Stockholder Inquiries

Communications concerning transfer requirements and lost certificates should be directed to the Transfer Agent. Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, %Corporate Secretary, P. O. Box 800, Austin, Minn. 55912

Notice of Annual Meeting

The Annual Meeting of the Company's stockholders will be held Tuesday, January 27, 1981, in the Austin High School Auditorium. The meeting will convene at 8 p. m.

Form 10-K Annual Report

Stockholders of record and/or beneficial owners of the Company's common stock may obtain, without charge, a copy of Geo. A. Hormel & Company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission. This written request should be directed to Geo. A. Hormel & Company, %Corporate Secretary, P.O. Box 800, Austin, Minn. 55912

About the Company

Geo. A. Hormel & Company is a federally-inspected food processor which slaughters livestock for processing into meat and meat products for sale at the wholesale trade level.

The principal products of the Company are meat and meat products — boneless hams, sausage items, wieners, sliced bacon, luncheon meats, stews, chilis, hash and meat spreads — which

are sold fresh, frozen, cured, smoked, cooked or canned.

The Company's products are sold in all 50 states by salesmen operating in assigned territories coordinated from district sales offices located in most of the larger cities, and by brokers and distributors who handle carload lot sales.

Hormel operates 17 plants for slaughtering and/or processing and has 13 distribution plants

located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii. Hormel also operates in international areas, including the Philippines, Japan, Dominican Republic, and in various European countries through Hormel International, a wholly-owned subsidiary.

Hormel employs over 8,100 people and has approximately 5,100 stockholders.

Trademarks

Product brand names *italicized* in this 1980 Annual Report to Shareholders are trademarks of Geo. A. Hormel & Company or its subsidiaries.